



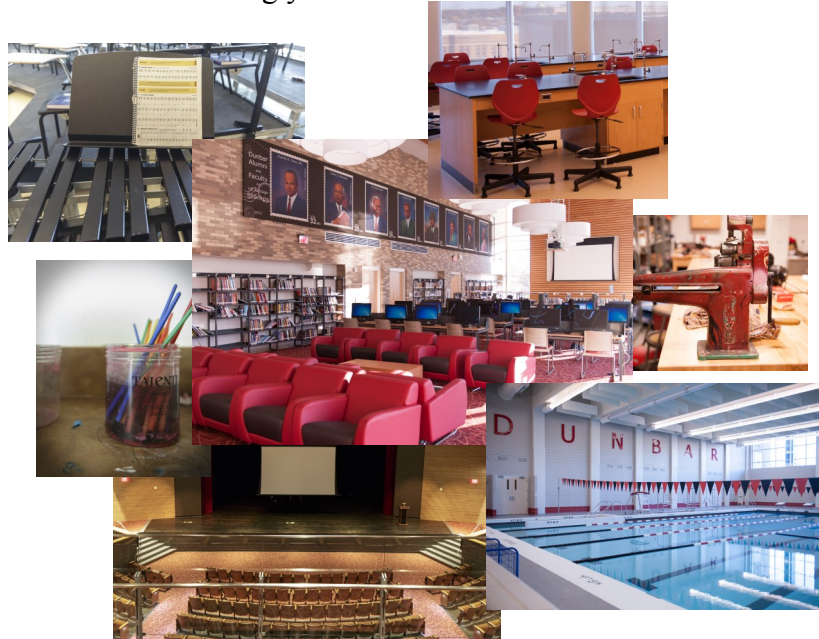
District of Columbia Office of the Inspector General



Charles J. Willoughby ~ Inspector General

Report On Activities
Fiscal Year 2013

The cover reflects some of the many facets of the District of Columbia, including the renovated Dunbar High School. Paul Lawrence Dunbar High School (named for the gifted writer and poet) is located at 101 N Street, N.W. in Washington, D.C. and is part of the D.C. Public School system. The philosophy at Dunbar is to develop each individual to their fullest potential regardless of ethnic, social or religious background. To achieve this goal, school administrators call on parents and community members to provide all students with the tools to facilitate the process of achieving personal goals, meet the demands of tomorrow's workplace and to become contributing community members. It is this school/community partnership that was believed to contribute to the success of Dunbar in the founding years.



Dunbar was originally named the Preparatory High School for Colored Youth (founded with public funds and a small portion of money from the estate of Myrtila Miner). It had the distinction of being the first academic public high school for black students in the 1870's, during the dark period in U.S. history known as segregation. In 1892, the school became known as the M Street High School and then as Dunbar in 1916. During the early years, the school enjoyed a rich and impressive history with graduates attending Harvard, Yale, Brown, Amherst, Wesleyan, Dartmouth and Rutgers. Former students include the first blacks to: graduate from Annapolis and West Point; be a federal judge; become a full professor at a major university; be elected to the U.S. Senate after Reconstruction; become a general; become a Cabinet member; as well as civil rights leaders, lawyers, doctors, artists and musicians. Many of these same graduates returned to the school to teach and be members of the administration after receiving their advanced degrees.

Dunbar has been housed in many different buildings and locations over the years. This fall, the school year began in a new, state-of-the art campus (pictured on the front cover). There is a likeness of Paul Lawrence Dunbar embedded in the wall at the entrance of the school and the history of the school is integrated throughout the new structure to remind students and visitors of the the schools humble and barrier-breaking beginnings.

Cover photographs provided courtesy of Sandra Adams, OIG staff member. Dunbar photographs (above) provided courtesy of Sandra Adams and Lesly Valentin, OIG staff members.

The OIG would like to extend a special thank you to Dunbar High School Principal Stephen Jackson for taking the time to provide OIG staff members with a tour of the renovated school and allowing them to take photographs.

MESSAGE FROM CHARLES J. WILLOUGHBY INSPECTOR GENERAL

On behalf of the District of Columbia Office of the Inspector General (OIG), I am pleased to present the Report on the Activities of the Office of the Inspector General for the fiscal year (FY) ending September 30, 2013. The purpose of this report continues to be to provide a comprehensive accounting of matters addressed by the OIG during the past year. Full versions of all audit and inspection reports noted herein, as well as selected other issuances, such as this annual report, can be downloaded from our website, www.oig.dc.gov. All are again strongly encouraged to regularly visit the website to gauge the breadth and depth of the work performed by the dedicated OIG staff.

The OIG is established by law to provide independent and objective reporting to the Mayor, D.C. Council, Congress, District residents, and other stakeholders. It is the mission of this Office to promote economy, efficiency, and effectiveness in government programs and operations through the elimination of fraud, waste, and abuse; a mission that becomes all the more challenging during periods of economic downturn, staff reductions and yes, even in climates where inference, innuendo, and pandering are encouraged or allowed to flourish.

During this reporting period, in light of the fact that there appears to be a strong propensity or inclination on the part of many in official positions within the District, including legislators, to pander to elements within the press/media and the public by, among other things, providing direct links to particular press/media outlets on official government websites, the need for the D.C. Office of the Inspector General, a truly independent watchdog entity that, unlike other District government investigative entities, is not susceptible to political and publicly driven or other inappropriate influences, is all the more important. This propensity or inclination to pander, which is blatantly reflected on some of these websites, has been done even at the expense of the protection of individual and due process rights. For this reason and others, I believe that the work and activities of the Office of the Inspector General has taken on a heightened importance and significance.

The activities of each of our four divisions are highlighted as follows:

Audit Division (AD). For FY 2013, the AD issued 37 reports with total potential monetary benefits of approximately \$30 million. Compared to Audit Division costs of approximately \$3 million, the return on investment for audits performed by OIG audit staff exceeds \$10 for each dollar invested. The division exceeded all annual performance measures.

FY 2013 continued to present the city's leadership with significant fiscal challenges related to our national economy. Of particular concern were reductions in federal spending that posed risks to the economy; however, through the collaborative efforts of the Mayor, Council, Agency Directors, agency personnel, and our audit presence, the District has persevered throughout even the most challenging economic times. As in past years, our priorities concentrated on programs and initiatives that posed serious challenges and risks for District executives, managers, citizens, and stakeholders. During FY 2013, the cost of service delivery to District residents remained high. The high cost of delivering services to a

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large population in need of healthcare, housing, welfare, and other similar services or assistance severely strains the District's financial resources. Reduced revenue streams placed added stress on the city's resources and heightened the importance of mitigating the risks of financial shortfalls. However, District leaders continued to take a proactive approach to address the challenges, which resulted in a balanced budget for the District.

For FY 2013, our initiatives focused on audit coverage of areas that presented the highest risks to maintaining the District's fiscal integrity and renewed financial strength, and to further the Mayor's strategic initiatives. Those identified risks included Medicaid Programs, Tax-Based Revenue Collections, Procurement and Contracting, Citizen Safety and Protection, and Workforce Administration. We issued 10 performance audit reports that addressed Health and Safety issues, such as the Department of Health's Food Safety and Hygiene Inspection Services; citizen issues related to the Department of Motor Vehicle Ticket Processing Services; our Evaluation of the District's Management of Commercial Real Property Assessment; and stakeholder concerns related to Construction Management at the Department of Transportation. We will continue to concentrate our efforts in these areas until improvements are recognized, controls are strengthened, risks are mitigated, and reported deficiencies are corrected.

In addition, the Assistant Inspector General for Audits (AIGA) chairs the Comprehensive Annual Financial Report (CAFR) Committee, which provides oversight of the accounting firm that conducts the annual city financial audit. With the issuance of the FY 2012 CAFR on February 4, 2013, the city received its sixteenth consecutive, unqualified opinion on its financial statements.

Inspections and Evaluations Division (I&E). During FY 2013, I&E published 10 reports: 6 Reports of Special Evaluation; 2 Management Alert Reports (MARs); 1 Report of Re-Inspection; and a Summary of Compliance Activities. Collectively, these reports presented District agency directors, their managers, and other stakeholders with 42 distinct findings and 72 actionable recommendations aimed at mitigating noted deficiencies and/or enhancing District government operations.

I&E's accomplishments each year typically include both planned inspections and *ad hoc* projects. Planned inspections completed during FY 2013 assessed the operations of and services provided by the Department of Health's (DOH) HIV/AIDS, Sexually Transmitted Disease, and Tuberculosis Administration; the Department on Disability Services; the D.C. Housing Authority; and the New York Avenue Men's Emergency Shelter.

I&E's unanticipated projects often arise from the discovery of conditions that may pose an immediate or potential threat to the safety of District employees or residents, or out of concerns expressed by District government leaders, the public, or the media. For example, in February 2013, and as a direct result of fieldwork conducted as part of a re-inspection of Fire and Emergency Medical Services Department (FEMS) fire stations, I&E sent a MAR to

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FEMS regarding deficiencies in the repair and readiness of FEMS vehicles that both supplement daily operations and would be brought into service to respond to large-scale, unanticipated emergencies. I&E also conducted a special evaluation of DOH's Health Regulation and Licensing Administration (HRLA) following a request from the then Director of DOH. In conjunction with DOH's request to analyze allegations of mismanagement and malfeasance at HRLA, I&E conducted follow-up work to assess HRLA's implementation of a program to administer criminal background checks prior to issuing health professional licenses to applicants. DOH's failure to implement such a program, which is required by a law that went into effect in 2007, was the subject of a MAR that I&E issued in August 2010.

I&E is always attuned to issues that impact, or have the potential to impact, the health and safety of both District government employees and vulnerable District residents, but the Division also has the skills and experience necessary to manage *ad hoc* special projects.

Investigations Division (ID). During the past fiscal year, special agents from the ID instituted a wide variety of investigations into allegations of criminal and administrative misconduct among District employees, to include fraud, theft, forgery, embezzlement of District funds, and misuse of official position for private gain. In many of these investigations, ID agents worked jointly with the United States Attorney's Office for the District of Columbia (USAO), the Federal Bureau of Investigation (FBI), the United States Secret Service (USSS), the U.S. Department of Education Office of the Inspector General, and other law enforcement entities in bringing charges against District employees, including those from the Department of Employment Services (DOES), Department of Public Works (DPW), Office of the State Superintendent of Education (OSSE), District of Columbia Consumer and Regulatory Affairs (DCRA), and the Department of Parks and Recreation (DPR).

The ID presented 42 cases for prosecution to federal authorities, and of these, 24 cases were accepted for further investigation or prosecution.

Medicaid Fraud Control Unit (MFCU). The MFCU was established in 2000. The MFCU has a dual mission: investigating and prosecuting Medicaid providers who engage in fraudulent or otherwise inappropriate billing; and the investigation and prosecution of abuse, neglect, and financial exploitation of persons who reside in Medicaid-funded facilities.

In FY 2013, the MFCU processed 2,116 incoming unusual incident reports, complaints, or referrals; initiated 156 investigations; and closed 116 matters. Through trial or settlement, the MFCU attained 9 substantive dispositions of outstanding fraud, abuse, neglect, and sexual assault cases, including a case where the defendant was sentenced in connection with 35 separate felony offenses. The MFCU also recovered substantial monies in restitution to the Medicaid program through participation in 13 civil resolutions. In FY 2013, the MFCU recouped or had restitution ordered for a total of \$7,801,482.62 in civil and criminal fraud settlements, thereby generating \$9.58 for every District dollar of funding.

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The MFCU continued to demonstrate a high level of activism and community outreach. MFCU staff are members of task forces, make presentations to the community, and participate in training opportunities all over the country. Additionally, since January 2012, the MFCU has detailed a staff attorney to work full-time at the USAO, thereby improving the Unit's ability to prosecute Medicaid provider fraud cases.

I want to take the opportunity to once again recognize the conscientiousness and hard work of the OIG staff throughout the year. Their teamwork, skills, and dedication continue to lead to the achievement of record levels of outputs and accomplishments that I believe not only contribute significantly to the improvement of government operations, but also serve as a model for the achievement of such outputs and accomplishments that continue to enhance the quality of life for District residents. I continue to appreciate also the exceptional cooperation received from agencies during our investigations, audits, and inspections. Moreover, acceptance and implementation of our recommendations by District officials continue to be encouraging signs that our efforts are producing needed corrective action. However, as in the past, one of our greatest challenges continues to be the increasing of such acceptance and implementation.

In addition, as demonstrated during this reporting period, it is imperative that those of us in positions of authority with either investigative or oversight responsibilities take the time to fully understand the independence requirements that are not only essential to the D.C. OIG, but is the hallmark of the inspector general concept, which not only inherently fosters inspector general independence but also the **best practice requirement of conducting truly independent investigations**. This Office has strived and will continue to educate these individuals and others in this regard through the appropriate forums and would encourage such individuals to do likewise. **Such education must encompass the education of individuals on the difference between enforcement and investigatory actions**. This challenge, like that concerning the acceptance and implementation of recommendations, as the current reporting period reflects, continues to be one of the most challenging and difficult.

Finally, as I have previously done, I call upon citizen and stakeholder alike in conjunction with this office to be ever so vigilant and responsible in not only recognizing and/or performing oversight functions that they possess but also in reporting instances of fraud, waste and abuse to which they have suspicion, in order to ensure the efficiency, effectiveness and integrity of the District government. I continue to adhere strongly to the guiding principle that: any entity, whether public or private, is no more effective than those who participate in it and thus all of us and I stress all of us, whether private citizen, or those within or outside of government, who have oversight responsibilities, inclusive of the media, must act responsibly to ensure the effectiveness of the District's programs and operations by, among other things, operating from facts and refraining from using inflammatory or demagogic language, inference and innuendo.

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Accordingly, all, including the press and media, are strongly encouraged to understand the role of the OIG and the concept of inspector generals and to closely read and comprehend this and all of our annual reports, as well as our other reports, all of which are readily available at the OIG website of <http://www.oig.dc.gov>.

A handwritten signature in black ink, reading "Charles J. Willoughby". The signature is written in a cursive style with a large initial "C".

December 1, 2013



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RISK ASSESSMENT



RISK ASSESSMENT

The mission of the OIG is to promote economy, efficiency, and effectiveness in the programs and operations of the District of Columbia government and to detect and deter mismanagement, fraud, waste, and abuse in the District government by means of audits, inspections, and investigations. The OIG continues to focus on major programs and operations that require management's attention and transformation in order to ensure that the District government functions in the most economical, efficient, and effective manner possible. This past year, the OIG concentrated on programs and initiatives that posed serious challenges and risks for the District, with an emphasis on evaluating risk areas and programs that represent issues of critical concern to the Mayor and D.C. Council. These areas and programs include Medicaid, Public Education, Vulnerable Populations, Procurement and Contracting, Citizen Safety and Protection, Workforce Administration, levying and collecting tax-based revenue, capitalizing on all grant-based revenue opportunities, executing reimbursement programs within agencies, and optimizing other revenue-generating activities.

For FY 2013, we also identified agencies and programs considered material in terms of service delivery and fiscal impact in order to determine and address risk factors such as: material internal control weaknesses, potential fraud, other criminal acts, or improper practices; substantial violations of program directives or poor management practices that could seriously affect program accomplishment; major inefficiencies in the use of resources or management of operations; and significant program performance issues.

In seeking ways to mitigate the various risks facing the District, we fashion audits and inspections to assess the results of budgeted programs, including the economy, efficiency, and effectiveness of management actions taken to address those results. On a continuing basis, we work with District officials by advising them early in the review process of recently discovered problems and audit/inspection findings. When necessary, we will issue a Management Alert Report (MAR) to obtain prompt resolution and corrective action on particularly emergent and time-sensitive issues. When we find a problem that potentially has systemic impact among several District agencies, we issue a Management Implication Report (MIR) to the heads of all District agencies alerting them to the deficiencies so that they can take preemptive action to determine whether the problem exists in their agencies and initiate appropriate corrective measures.

Public Education Programs

Elected officials and previous audits continue to identify District of Columbia Public Schools (DCPS) as a high-risk area that poses significant financial and performance risks for the District. The cost of operating the District of Columbia public education system for FY 2014 will exceed \$2.1 billion. Accordingly, in evaluating a variety of school issues, our intention is not to merely arrive at technical solutions to complex problems, but to provide DCPS officials and educators with tools to make sufficiently sound decisions and effect positive

RISK ASSESSMENT

improvements. Our planned audits will address hiring practices, procurement practices, special education programs, and grant revenue.

Medicaid Program

The District's Medicaid program will spend over \$2.7 billion on healthcare for the District's most vulnerable citizens in FY 2014. The Medicaid program continues to be of considerable concern to the District because it is one of the largest spending pressures impacting the District's entire operating budget. Past Congressional committees, as well as the Mayor and the Council, have recognized that Medicaid is a serious problem for the District that has threatened the solvency of some District agencies. For these reasons, the OIG has designated the Medicaid program as a major issue area until the risk to the District is more manageable. Accordingly, OIG audit planning has consistently addressed the risks posed by the Medicaid program through continually reviewing Medicaid program systemic weaknesses and internal controls to identify and address potential fraud indicators and Medicaid program functions susceptible to abuse. Our plan for Medicaid coverage is citywide and comprehensive. Medicaid audit topics include: claims payments; recipient eligibility; provider rates; durable medical equipment/prosthetics, orthotics, and supplies; contracts; third-party liability; and human care agreements.

In FY 2013, we issued an audit report entitled, *Audit of the District's Eligibility Determination Process for Alliance and Medicaid Participants*, and in FY 2014, we have ongoing audits concerning Medicaid/Alliance eligibility; Medicaid administrative services contracts; nursing home performance and administrative salaries; durable medical equipment/prosthetics, orthotics, and supplies; Medicaid state plan; reprocessing and resubmitting denied Medicaid claims; and medical assistance benefits paid on behalf of foster children.

In addition to a strong audit presence, the OIG maintains a Medicaid Fraud Control Unit (MFCU) to conduct investigations of Medicaid fraud and abuse and neglect of persons who reside in Medicaid-funded facilities or who receive Medicaid-covered services. When allegations can be proven, the MFCU pursues criminal prosecution, civil enforcement efforts, and administrative penalties against responsible parties. Our criminal and civil litigation efforts have an additional deterrent effect on Medicaid abuse and fraud throughout the healthcare community.

RISK ASSESSMENT

Vulnerable Populations

A number of I&E Reports of Special Evaluation published during FY 2013 addressed matters pertaining to members of highly vulnerable populations. These reports assessed the operations and services provided to clients by entities that included the Department on Disability Services, the D.C. Housing Authority, and the New York Avenue Men's Emergency Shelter. The Division also issued a report assessing the District's 2007-2010 Youth and HIV/AIDS Prevention Initiative Plan.

Citizen Safety and Protection

District leaders frequently have expressed concern about whether taxpayer dollars are used optimally to serve citizens' best interests in a number of areas. We share these concerns and have completed audits on housing issues, child support services, community development, health and safety, and mental health programs. During FY 2013, we issued an audit report addressing food and hygiene safety entitled, *Audit of the Department of Health's Food Safety and Hygiene Inspection Services Division*. For FY 2014, we have planned or are continuing audits of service-based agencies, including the Department of Behavioral Health; the Metropolitan Police Department; the Department of Health; the Department of Health Care Finance; and the D.C. Taxicab Commission.

I&E published reports pertaining to District government operations that have direct connections to citizen safety and protection. For example, in February 2013, I&E sent a MAR to FEMS regarding deficiencies in the repair and readiness of FEMS vehicles that both supplement daily operations and would be placed into service to respond to large-scale, unanticipated emergencies.

I&E also published a report regarding agencies' implementation of and compliance with the District's mandatory drug and alcohol testing (MEDAT) policy, which requires testing of employees who work in "safety-sensitive" positions (i.e., those who "[have] direct contact with children and youth; [are] entrusted with the direct care and custody of children or youth; and whose performance of ... duties in the normal course of employment may affect the health, welfare, of safety of children or youth.")¹

Procurement and Contracting

The District of Columbia government is one of the largest purchasers of goods and services in the metropolitan area. Its procurement policies impact every aspect of District operations. Health and safety standards, education, wages, business growth, and fiscal and monetary soundness are all affected by procurement practices. These expenditures, however, have not

¹ E-DPM 39-2, Section II (Apr. 28, 2010).

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always provided taxpayers with the most value for their tax dollars. OIG audits, external audits, and oversight hearings have revealed recurrent and pervasive areas of waste, mismanagement, cost overruns, inferior products, shoddy workmanship, and fraud. As a result, we have ongoing audits that address the efficiency of procurement operations at various District agencies.

The expenditure of District resources is negatively impacted by poorly defined contract requirements, noncompliance with procurement rules, and lack of competition. To maintain the confidence and trust of District stakeholders, the procurement process must: (1) incorporate generally accepted key principles that promote transparency, accountability, and competition; (2) implement a procurement system that reflects sound management and oversight practices; and (3) acquire quality products and services at reasonable prices. In this regard, the OIG implements initiatives to audit procurement and contract administration on a continuous basis consistent with the mandates of the OIG statute.

During FY 2013, OCP purchased approximately \$2 billion in goods and services on behalf of more than 60 different District agencies and programs. Therefore, our audit procurement directorate continues to place added emphasis on persistent procurement problems and allegations of procurement abuse.

For FY 2014, we have planned or continuing audits focusing on: the city-wide security contract award and administration; the surplus property program; contracts at the Department of General Services; use of qualified certified business enterprises; and contracting actions at the District's retirement board.

Workforce Administration

It is essential that the District maintain integrity and transparency in its hiring processes and require its employees to adhere to all applicable rules regarding eligibility for District government employment. The D.C. Department of Human Resources (DCHR) is charged with verifying District bonafide residency and/or domicile for applicants for District employment who claim residency preference and for certain District employees, such as Excepted Service and Executive Service personnel, who are required to acquire and/or maintain District residency in order to maintain eligibility for their District government appointed positions. Despite these requirements, specific matters have come to the attention of the OIG indicating that DCHR may not have adequate mechanisms in place to ensure that all verifications are conducted thoroughly and at the appropriate point in the hiring and/or employment process. The OIG has brought specific matters to DCHR's attention as they have arisen, and will continue to monitor DCHR's process for verifying District residency and/or domicile for applicants and employees.

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FY 2014 planned audits include a review of controls over overtime; security over electronic devices; ethics awareness and training for District employees and prospective contractors; the DC 401 (a) retirement plan; workforce investment programs; and enforcement of the First Source Employment Agreement Act.

Tax Collections

Tax collections generate the bulk of revenue to finance District operations that are paid from the General Fund. For FY 2014, District local source revenue is forecasted to be \$6.9 billion. In FY 2014, we will continue to focus on audits that assess whether the District effectively levies and collects tax-based revenue. The efficiency of tax collection automated systems and the effectiveness of policies, procedures, and internal controls play a pivotal role in enabling the District to maximize collection of taxes due to the city. FY 2014 planned audits include a review of tax collections at the Office of Tax and Revenue; collection of business franchise taxes; delinquent tax collection/offers in compromise; and the tax appeal process.



GENERAL ACTIVITIES



GENERAL ACTIVITIES

MISSION

The District of Columbia Office of the Inspector General (OIG) is a subordinate agency within the executive branch of the District government that acts as the city's "watchdog" agency for D.C. government operations and programs. D.C. Code § 1-301.115a (2001) governs the OIG's activities and authority, and sets forth the Office's mission as follows:

- Conduct and supervise inspections, audits, and investigations relating to the programs and operations of District government departments and agencies, including independent agencies;
- Provide leadership, coordinate with, and recommend policies for activities to promote economy, efficiency, and effectiveness, and to prevent and detect waste, fraud, abuse, corruption, and mismanagement in District government programs and operations; and
- Provide a means to keep the Mayor, D.C. Council, and District government agency and department heads fully and currently informed of problems and deficiencies relating to the administration of District government programs and operations and the necessity for and the progress of corrective actions.

STATUTORY RESPONSIBILITIES

Perhaps the most important aspect of the OIG's mission is that it must perform its activities independently. Independence ensures the integrity and credibility of the OIG's findings and recommendations such that stakeholders can rely on audits, inspections, and investigations free of outside interference, influence, or pressure. The OIG's independence is buttressed by its statutory budget autonomy, which prohibits the D.C. Council and the Mayor from revising the OIG's annual budget submissions. Although the D.C. Council may comment on and/or make recommendations to the OIG's annual budget estimates, the D.C. Council may not revise these estimates.

The D.C. Code requires the OIG to conduct audits, inspections, and investigations when requested by the Mayor or on the Inspector General's initiative. Where an OIG inquiry reveals reasonable grounds to believe that there has been a violation of federal or District criminal law, the Inspector General reports the evidence to the U.S. Attorney's Office and other appropriate law enforcement authorities; in addition, within a reasonable time thereafter, the OIG forwards the Mayor any report regarding the evidence, where appropriate. If an OIG investigation reveals administrative misconduct, the Inspector General refers evidence of the same to the Mayor or the appropriate agency head. Similarly, the OIG

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initiates and conducts fiscal and management reviews of District government operations and submits written audit and inspection findings to the appropriate agency head.

To accomplish this mission, the D.C. Code provides the OIG with statutory access to the records, accounts, documents, and property of subordinate and independent agencies within the executive branch of the District of Columbia government (including District boards and commissions). District government employees and contractors must cooperate with an OIG request for documents or testimony pursuant to D.C. Code § 1-301.115a(f-3), and failure to provide the OIG with requested testimony or documents constitutes cause for adverse action, including termination of employment or the contractual relationship. Where necessary, the OIG may issue subpoenas for witness testimony and documentation in connection with any matter under investigation and enforce compliance with its subpoenas in the District of Columbia Superior Court.

Other responsibilities mandated by the D.C. Code include the following:

- Serving as the principal liaison between the District government and the U.S. Government Accountability Office and as the liaison representative for all external audits of the District government.
- Conducting an annual operational audit of District government procurement activities.
- Contracting with an outside auditing firm to perform the Comprehensive Annual Financial Report (CAFR) of the District government for the previous fiscal year.

CHRONOLOGY OF LEGISLATIVE CHANGES AFFECTING THE OIG

In 1986, the D.C. Procurement Practices Act of 1985 (D.C. Law 6-85, effective Feb. 21, 1986) established the OIG's statutory duties. Approximately 10 years later, via the D.C. Financial Responsibility and Management Assistance Act of 1995, Pub. L. No. 104-8, § 303 (adopted Apr. 17, 1995), Congress substantially modified the OIG's responsibilities. The D.C. Council then passed the Office of the Inspector General Law Enforcement Powers Amendment Act of 1998 (D.C. Law 12-190, effective Mar. 26, 1999), which empowered OIG criminal investigators to carry firearms in the District of Columbia while engaged in the performance of official duties; make arrests without a warrant for felony violations committed in their presence in the District; and execute search warrants issued upon probable cause.

Soon thereafter, the D.C. Council enacted the Office of the Inspector General Powers and Duties Amendment Act of 1999 (D.C. Law 13-71, effective Apr. 5, 2000). This law: 1)

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codified the OIG's mission statement; 2) required the OIG to comply with generally accepted auditing, inspection, and investigation standards; 3) provided that every third year, the OIG must undergo a peer review to thoroughly assess the OIG's audit, inspection, and investigative standards, policies, procedures, and quality controls; 4) granted the OIG access to the papers, documents, and other property belonging to, or in use by, District government subordinate and independent agencies, excluding the D.C. Council and the District of Columbia courts; 5) provided that the OIG could recommend administrative sanctions against employees or contractors who refuse to cooperate with official OIG investigations; and 6) codified the OIG's policy of non-disclosure of the identity of complainants or individuals providing information to the OIG, unless the Inspector General determines that disclosure is unavoidable or necessary to further the ends of an investigation.

The D.C. Council further adjusted the OIG statute in fiscal year (FY) 2003 via the Inspector General Qualifications Amendment Act of 2003 (D.C. Law 15-026, effective Jul. 30, 2003) (Qualifications Act). The Qualifications Act expanded the necessary qualifications for the Inspector General to: a minimum of 7 years aggregate experience in law, accounting, auditing, financial management analysis, public administration, or investigations; and a minimum of 7 years of supervisory and management experience. The Inspector General must be a graduate of an accredited law school, be a member in good standing of the D.C. Bar for at least 7 years immediately preceding appointment, and possess 7 years' experience in the practice of law. Alternatively, the Inspector General may possess: 1) certified public accountant licensure for 7 years immediately preceding his/her appointment and 7 years aggregate experience in accounting, tax consulting, or financial consulting; or 2) a certified public accountant certificate from the District of Columbia Board of Accountancy, membership with the Greater Washington Society of Certified Public Accountants, and 7 years of experience in the practice of public accounting.

Approximately 1 year later, the D.C. Council enacted the Inspector General Appointment and Term Clarification Amendment Act of 2004 (D.C. Law 15-212, effective Dec. 7, 2004), and appended two new sections to the OIG statute. The term of any Inspector General appointed after November 4, 2003, was slated to end on May 19, 2008, and the terms of each succeeding Inspectors General expire every 6 years thereafter. Additionally, for any non-control year, the Inspector General may be removed only for cause by the Mayor with the approval of two-thirds of the Council.

Finally, the D.C. Council enacted the Rate of Pay for the Position of Inspector General for the Office of the Inspector General Amendment Act of 2005 (D.C. Law 16-267, effective Mar. 14, 2007), which removed the Executive Schedule cap on the Inspector General's salary. Prior to D.C. Law 16-267, the Mayor could fix the annual rate for the Inspector General's salary, so long as the rate did not exceed level IV of the Executive Schedule. The new legislation permits the Mayor to determine the Inspector General's annual salary, subject to the D.C. Council's review and approval.

GENERAL ACTIVITIES

FY 2013 LEGISLATIVE ACTION REGARDING THE OIG'S JURISDICTION

Effective December 11, 2012, the D.C. Council passed the DOC Inmate Processing and Release Amendment Act of 2012, which (*inter alia*) requires the D.C. Department of Corrections to maintain a public record of the date and time of each inmate's release from the Central Detention Facility. *See* D.C. Code § 24-211.02a(d)(1). The law further provides that this record may be audited upon request by the OIG or the District of Columbia Auditor. *Id.*

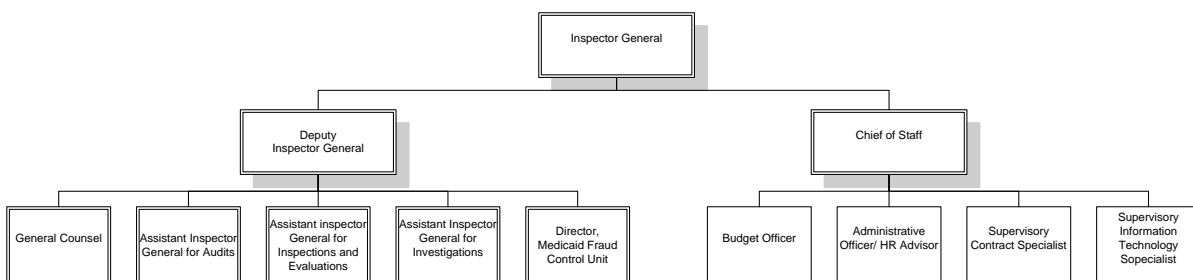
By Final Rulemaking effective December 7, 2012, the District of Columbia Taxicab Commission (Commission) published a regulation prohibiting dome light installation business owners (dome installation businesses) from offering or giving a gift, gratuity, or like thing of value to an employee/member of the Commission or any public servant. 31 DCMR § 1517.1. Any dome installation business must report to the OIG and the Commission any request or demand for such gift, gratuity, or thing of value made by a Commission member, employee, or public servant. *Id.* § 1517.2.

GENERAL ACTIVITIES

ORGANIZATION

The OIG is comprised of the Inspector General (IG), the Deputy Inspector General, Chief of Staff, the General Counsel, and four divisions, which are: the Audit Division; the Inspections and Evaluations Division; the Investigations Division; and the Medicaid Fraud Control Unit (MFCU). An Assistant Inspector General (AIG) leads each division and a Director leads the MFCU. All executives report directly to the Deputy Inspector General, except the Chief of Staff, who reports to the IG. Reporting to the Chief of Staff are the Budget Officer, the Supervisory Contracts Specialist, the Administrative Officer, and the Supervisory Information Technology Specialist. The following organizational chart depicts the reporting hierarchy.

**OIG ORGANIZATION CHART
as of September 30, 2013**



BUDGET AND PERSONNEL

The Office of the Inspector General's FY 2013 approved operating budget from all sources was \$15.7 million. Of this amount, \$3 million was allocated for the Comprehensive Annual Financial Report. The OIG's budget supports 112 full-time positions. The Office received 85 percent of its budget (\$13.4 million) from local funding, which supported 91 full-time positions (including 5 positions that represent a 25 percent local contribution to the federal grant supporting the MFCU). The Office received 15 percent (\$2.4 million) of its budget from federal funding, which supports 75 percent of the 23 full-time positions for the MFCU.

GENERAL ACTIVITIES

TRAINING

The OIG recognizes that the quality and effectiveness of its products are dependent upon a professionally trained staff. To this end, the OIG allocates a portion of its resources to ensure continuing professional education for its staff. The following summarizes the training taken by personnel within the OIG divisions for FY 2013:

- Audit
- Investigative
- Inspections
- Medicaid and Healthcare Fraud
- Computer Applications
- Legal
- Human Resource Management
- Leadership Management
- Procurement and Contracting
- Fundamental Skills
- Professional Development

SENIOR STAFF

Senior staff positions were occupied as follows:

7/18/05 – present:	Inspector General Charles J. Willoughby
10/12/10 – present:	Deputy Inspector General Blanche L. Bruce
6/1/06 – present:	Chief of Staff Roger W. Burke, Jr.
12/31/00 – present:	General Counsel Karen E. Branson
12/31/00 – present:	Deputy General Counsel Victoria L. Lucchesi
6/21/10 – present:	Assistant Inspector General for Audits Ronald W. King

GENERAL ACTIVITIES

5/9/10 – present: **Deputy Assistant Inspector General for Audits**
LaDonia M. Wilkins

6/21/99 – present: **Assistant Inspector General for Inspections & Evaluations**
Alvin Wright, Jr.

3/6/06 – present: **Deputy Assistant Inspector General for Inspections & Evaluations**
Edward J. Farley

8/18/08 – 12/29/12: **Assistant Inspector General for Investigations**
Stacie Pittell

08/12/13 – present: Brian T. Sweeney

5/15/98 – present: **Deputy Assistant Inspector General for Investigations**
Alfred Miller

4/18/04 – present: **Director of Medicaid Fraud Control Unit**
Susan B. Kennedy

11/7/11 – present: **Deputy Director of Medicaid Fraud Control Unit**
Brentton Wolfingbarger

4/15/13 – present: **Administrative Officer**
Kenita Saunders Romero

3/16/98 – present: **Budget Officer**
Ranee Phillips

1/4/10 – present: **Supervisory Contract Specialist**
Thurman Dutton

2/17/98 – present: **Supervisory Information Technology Specialist**
Lesly Valentin

FISCAL YEAR 2013 TESTIMONY BY THE INSPECTOR GENERAL

As a result of OIG audits, inspections, and investigations, we are often asked to provide information to our stakeholders. Copies of the testimonies delivered in FY 2013 can be accessed on our website. Appendix A contains the topics and dates of OIG testimony presented before the D.C. Council.

GENERAL ACTIVITIES

FISCAL YEAR 2013 PRESS HIGHLIGHTS

The OIG's work in District agencies is often recognized and reported on by local news organizations. It is our hope that media coverage will increase public awareness about the OIG's mission and our efforts to fulfill this mission, as well as encourage government efforts to correct reported deficiencies. Appendix B contains a selection of media highlights covering the OIG's work during FY 2013.

VISITS BY FOREIGN DELEGATIONS

The Office of the Inspector General (OIG) continues to host visiting foreign delegations, who visit the OIG to learn about the OIG's mission and operations. The delegations typically are comprised of Inspectors General and other officials from Offices of Inspector General or other equivalent entities. These meetings not only afford the OIG the opportunity to share information about its mission and operations and to learn about other Inspector General offices, but they are also excellent vehicles for fostering constructive diplomatic relations between the United States and other nations. During this reporting period, the OIG hosted delegations from China, Peru and from several African nations.

SPEAKING ENGAGEMENTS

Members of the OIG staff often are called upon to speak at events focused on preventing fraud, waste, and abuse. In addition to participating in corruption seminars at the Metropolitan Police Department (MPD), the Department of Public Works (DPW), and the Department of Consumer and Regulatory Affairs (DCRA), the IG spoke at several seminars focused on seniors and crimes against seniors, one leadership conference, one citizen advisory council awards banquet, and the OIG Audit Planning Conference.

WEBSITE

The OIG website (www.oig.dc.gov) is a key resource that provides information about our operations and access to public documents, which include audit and inspection reports, press releases, notices regarding completed investigations, annual reports, and testimony. The website also explains the OIG's legislative authority, describes our organizational structure, includes the biographies of key personnel, and explains procedures for submitting Freedom of Information Act (FOIA) requests to the OIG.

A key feature of the website is an online service entitled "Ask the Inspector General," which invites the public to submit comments or questions electronically to the OIG. The website additionally suggests the type of information individuals should provide to us when reporting fraud, waste, abuse, and mismanagement. The website further sets forth the OIG "hotline"

GENERAL ACTIVITIES

telephone number, and advises that individuals reporting information can elect to remain anonymous.

D.C. FREEDOM OF INFORMATION ACT (FOIA)

The FOIA grants citizens the right to obtain copies of District government public records. *See* D.C. Code §§ 2-531-540 (2001). Anyone may submit a request to a public agency to inspect a public record and/or obtain a copy of the same. However, the FOIA does provide certain exemptions that an agency may invoke to redact information or withhold a document. More information regarding the OIG's FOIA program may be found on our website at oig.dc.gov.

Each year, the OIG processes many FOIA requests seeking to obtain information about its audits, inspections, and investigations, and reports on its activity in this regard. The OIG strives to process each FOIA request efficiently and well within the 15-day statutory period. Appendix C contains a selection of reporting data for FY 2013.





FISCAL YEAR 2014 AUDIT AND INSPECTION PLAN





AUDIT AND INSPECTION PLAN

The annual audit and inspection plan (Plan) includes descriptions of mandated and discretionary audits and inspections to be conducted in the upcoming fiscal year based on risk assessments of vulnerable programs and issues; input from the District's executive and legislative leadership, agency officials and other stakeholders; and the requirements of federal law. The FY 2014 Plan includes audits and inspections ongoing as of September 1, 2013. A copy of our plan can be accessed via our website at <http://www.oig.dc.gov>.

In an effort to sharpen the focus of our audits and inspections, the OIG continuously assesses those programs and activities that pose the greatest risk to the District. Statutory mandates govern the conduct of many of our activities; however, the majority of our activities are discretionary, often addressing concerns and interests of elected officials, agency heads, and members of the District community. District officials and other stakeholders have emphasized their continuing commitment to avoid risks that could trigger the re-emergence of budget deficits and management inefficiencies.

In formulating the Plan, we identified agencies and programs considered material in terms of service delivery and fiscal impact. Additionally, we considered risk factors, which include the following:

- material internal control weaknesses;
- potential fraud, other criminal acts, or improper practices;
- substantial violations of program directives or poor management practices that could seriously affect program accomplishment;
- major inefficiencies in the use of resources or management of operations; and
- significant program performance issues.

The Plan includes OIG initiatives for audit and inspection coverage that will focus on areas that present the highest risks to maintaining the District's fiscal integrity and renewed financial strength. In assessing these risks, our audit plan has been designed to concentrate on seven strategic themes that will govern our operations, help us achieve our mandated mission, and further the Mayor's strategic initiatives. These themes are:

- I. Revenue Enhancement
- II. Spending and Efficient Use of Resources
- III. Delivery of Citizen Services
- IV. Support Services
- V. Audits Required by Law
- VI. District of Columbia Education Programs
- VII. Prior Performance Audits

AUDIT AND INSPECTION PLAN

In formulating the Plan, the OIG held quarterly audit symposiums during the fiscal year. To ensure that FY 2014 audits and inspections focus on issues that pose the greatest challenge to the District, we solicited participation from District agency officials to speak about their concerns or provide discussion on critical topics and emerging issues facing the District. Guest speakers such as the Honorable Councilmember Marion Barry, Phillip A. Lattimore, III, Director, Office of Risk Management, and Irvin Nathan, Attorney General, provided valuable insight into their individual programs and challenges facing the city, their evaluation of our audit process, and an unbiased assessment in several important audit areas.

Our Plan is ambitious, shaped in part by concerns raised by District leadership. Accordingly, our Plan reflects ideas and suggestions from the Mayor's office, Councilmembers, District agency officials, and others. The listing of a particular audit or inspection in this Plan does not necessarily mean that problems exist or guarantee that a review will be undertaken in FY 2014. The reality of having limited resources and the unknown priorities arising from exigencies throughout the year, particularly in these times, often determine which audits or inspections can ultimately be initiated in FY 2014. It is our hope that District managers will use the Plan to address the identified, or reported, risk areas within their respective agencies and to take appropriate action to improve operational efficiencies before our audit or inspection. Accordingly, this Plan can and should be viewed by management as a risk assessment of District programs and operations.

ACTIVITIES OF THE AUDIT DIVISION

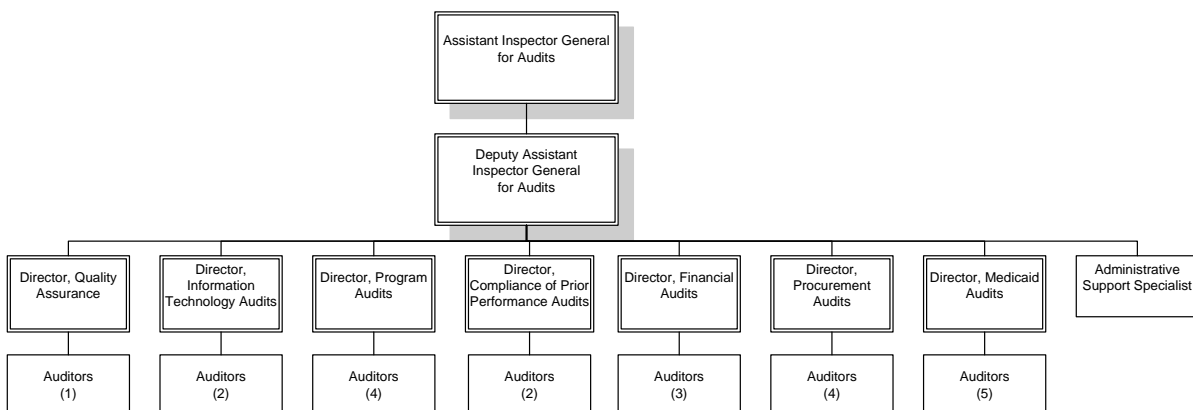


ACTIVITIES OF THE AUDIT DIVISION

ORGANIZATION

The OIG Audit Division, comprised of a staff of professional auditors, is headed by an Assistant Inspector General for Audits (AIGA), a Deputy AIGA, and seven Directors. The AIGA sets policy and, through the Deputy AIGA, provides leadership and direction for the division. The Directors manage the day-to-day projects and activities of the auditors. The audit directorates are: (1) Quality Assurance; (2) Information Technology Audits; (3) Program Audits; (4) Compliance of Prior Performance Audits; (5) Financial Audits; (6) Procurement Audits; and (7) Medicaid Audits. Our audit directorates are aligned to address the significant risks facing the District.

OIG AUDIT DIVISION as of September 30, 2013



The Audit Division is responsible for conducting audits of District organizations, programs, functions, and activities that are discretionary, required by law, or identified pursuant to special requests from District leaders, managers, and other stakeholders. These audits are designed to assess the results of various budgeted programs, which include the economy and efficiency of actions taken to attain those results. As a result, our audits are aimed at providing reliable and constructive recommendations for improved administration of operations. Audits provide management with an independent appraisal of whether desired results and objectives are achieved efficiently, economically, and in accordance with prescribed laws, regulations, policies, and procedures. Key elements of our audits are the independence of the OIG from the management of such programs, and the OIG's responsibility to report to District management and other stakeholders the results of such audits.

The Division is staffed to perform the full spectrum of engagements (i.e., financial and performance audits, as well as attestation engagements). Financial audits provide an independent assessment of whether an entity's reported financial information (e.g., financial

ACTIVITIES OF THE AUDIT DIVISION

condition, results, and use of resources) is reported fairly in accordance generally accepted government auditing standards. Performance audits are defined as audits that provide findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria, which entail an objective and systematic examination of a program or entity and typically assess program results and/or whether the entity protects or uses its resources in the most productive manner. The major purposes of performance audits are to provide an objective analysis so that management and those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision making or initiate corrective action, and contribute to public accountability. Attestation engagements cover a broad range of financial or nonfinancial objectives about the subject matter or assertion, depending on the user's need. Attestations engagements can be an examination, a review, or an agreed-upon procedures report on a subject matter that is the responsibility of another party.

CREDENTIALS AND QUALIFICATIONS

OIG auditors possess a 4-year degree from an accredited college or university. Additionally, many of our auditors hold advanced degrees and certifications, including the following:

- Certified Fraud Examiner
- Certified Government Financial Manager
- Certified Information System Auditor
- Certified Inspector General Auditor
- Certified Internal Auditor
- Certified Public Accountant
- Certified Public Manager
- Chartered Accountant
- Certified Internal Controls Auditor
- Chartered Global Management Accountant
- Masters Degree in Business Administration
- Masters Degree in Public Administration
- Masters Degree in Taxation

ACQUIRING, DEVELOPING, AND RETAINING TALENT

Human resource management is critical to an organization's future success. The Audit Division's leadership continually works to recruit staff, identify the best ways to address the staff's educational needs, and identify core-training programs. Through training and employee development, we strive to acquire and retain talent. We also consult with private-sector corporations, academic institutions, and other experts to identify best practices. Additionally, we are proud to have qualified staff members who teach audit-related subjects in-house, which saves the OIG money.

ACTIVITIES OF THE AUDIT DIVISION

PROFESSIONAL ASSOCIATIONS AND ORGANIZATIONS

OIG Audit Division employees continued to maintain memberships with a number of educational and professional organizations, such as the Association of Local Government Auditors and the Association of Inspectors General. These memberships enhance performance and broaden the audit staff's perspective. Likewise, staffers are also active in professional organizations to include the American Institute of Certified Public Accountants, Association of Government Accountants, National Association of Certified Fraud Examiners, Information Systems Audit and Control Association, the Institute of Internal Controls, and the Institute of Internal Auditors.

CONTINUATION OF LIAISON ACTIVITY

Pursuant to the statutory mandate contained in D.C. Code §§ 1-301.115a(a)(3)(B) and (C) (2011), the OIG is required to act as a liaison representative to external organizations conducting audits of the District of Columbia government. As a result, federal inspector general organizations and the Government Accountability Office (GAO) have coordinated their work with the OIG. Reciprocally, we continually coordinate audit efforts with the GAO, the District of Columbia Auditor, and federal inspector general offices.

Additionally, the Audit Division has forged strong working relationships with other outside organizations such as federal, state, and local inspector general offices. These working relationships provide for information sharing between our organizations so that we may better identify and address fraud, waste, and abuse. Moreover, the AIGA is often called upon to lecture on OIG functions for professional organizations, state and local OIG offices, and visiting foreign delegations.

AUDIT PERFORMANCE MEASURES TO EVALUATE PROGRESS

With regard to our audit performance and productivity standards, we used three performance measures in FY 2013: (1) number of audit reports issued; (2) potential monetary benefits resulting from audits; and (3) the percentage of District agencies/offices provided with audit coverage. We continue to work toward process improvements in measuring our productivity and performance. In this regard, because of the importance we place on audit follow-up, we also track internally the status of recommendations made and District agency coverage. Additionally, the Comptroller General's Government Auditing Standards emphasize the importance of follow-up on significant findings and recommendations from prior audits to determine whether corrective actions have been implemented. The results of our performance measures are shown in Appendix E.

ACTIVITIES OF THE AUDIT DIVISION

SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDITS

For FY 2013, we issued 37 reports with total potential monetary benefits of approximately \$30 million. Comparing these to Audit Division costs of approximately \$3 million shows that a return on investment for audits performed by OIG audit staff approximates \$10 for each dollar invested.

The OIG includes a schedule in each audit report that summarizes potential benefits resulting from the audit. The schedule provides each benefit by recommendation, a description of the identified benefit, and type of benefit. The benefits of each recommendation are described as compliance, economy and efficiency, and internal control. The benefit is reported as either monetary or nonmonetary. Monetary benefits are categorized as either "Funds Put to Better Use" or as "Questioned Costs." "Funds Put to Better Use" are funds that could be used more efficiently should management implement the recommendation. This category includes de-obligation of funds from programs or operations and savings that result from implementation of recommended improvements. "Questioned Costs" are incurred costs questioned because of an apparent violation of a law, regulation, contract, or grant governing their expenditure. Nonmonetary benefits are categorized as those that would improve District programs and agency operations. For example, a recommendation that would require training for contracting officers would ensure that contract officers have the necessary skills to perform their respective duties, which would result in efficient purchasing of goods and services.

AUDIT AGENCY/OFFICE COVERAGE

The Audit Division issued 37 reports in FY 2013. Completed audits represented reviews undertaken as part of our FY 2013 Audit and Inspection Plan or emerging issues that required our immediate attention. Our audit reports to agency heads recommend corrective actions necessary to improve operations, address noted deficiencies, and ensure that agencies are in compliance with prescribed regulations, policies, procedures, and standards. Upon the issuance of our final reports, agencies described actions they had taken or planned to take to address our recommendations. Appendix F identifies the 27 District government agencies/offices audited during FY 2013.

AUDIT FOLLOW-UP

Audit follow-up is the process that enables the OIG to monitor, assess, and report on the status of agency implementation of agreed upon corrective actions recommended by prior audits. An audit follow-up should provide for systematic analysis of corrective action to determine whether the actions taken have addressed the problems that led to the recommendations. Due professional care includes follow-up on known findings and recommendations from prior audits related to current audit objectives to determine whether agency officials took prompt and appropriate corrective actions. Audit standards require

ACTIVITIES OF THE AUDIT DIVISION

auditors to disclose the status of known but uncorrected significant or material findings and recommendations from prior audits.

Taking action on recommendations is imperative to ensure deficiencies are corrected. Much of the benefit from audit work is not in the findings reported or the recommendations made but in their effective resolution. District management is responsible for resolving audit findings and recommendations, and having a process to track their status can help fulfill this responsibility. Accordingly, we have emphasized this critical function by tracking audit recommendations and assessing the progress of corrective actions. Triennially, a follow-up audit is conducted of District-wide agency implementation of audit recommendations. The audit focuses on determining whether District agencies implemented agreed-to recommendations for corrective actions on reported control deficiencies.

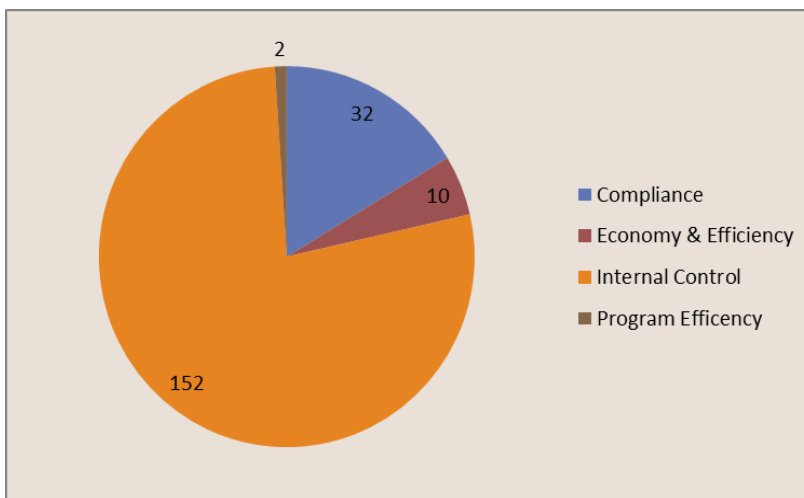
Additionally, the Compliance of Prior Performance Audits directorate conducts follow-up audits of prior performance audits to ensure that the District government and its residents realize the full benefit of findings and recommendations concerning cost savings; revenue enhancements; effective internal controls; improved processes; compliance with laws and regulations; and overall efficiency and effectiveness of District agencies, programs, funds, functions, and activities. During FY 2013, the OIG initiated two follow-up audits entitled, *Metropolitan Police Department's Management of Seized and Confiscated Property* and *Non-Emergency Transportation Provider Compliance*.

FISCAL YEAR 2013 AUDIT RECOMMENDATIONS

For FY 2013, the Audit Division made a total of 196 recommendations to District management. We plan to conduct follow-up reviews at these agencies in subsequent reporting periods, and will work in conjunction with the Executive Office of the Mayor (EOM) and D.C. Council to ensure that actions are taken to address recommendations made. Appendix G provides further information regarding audit recommendations for FY 2013. The following chart identifies the number of recommendations by category.

ACTIVITIES OF THE AUDIT DIVISION

Analysis of Audit Recommendations by Category



THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

CAFR Oversight Committee. The OIG established the Comprehensive Annual Financial Report Oversight Committee (Committee) to oversee the CAFR. A charter identifying the Committee’s purpose, composition, meeting schedule, and responsibilities governs the Committee. The Committee assists the OIG in fulfilling its oversight responsibility by monitoring the progress of the audit and addressing any issues that may arise from the audit or may prevent timely completion. The Committee’s purposes include: (1) monitoring the reliability and integrity of the Office of the Chief Financial Officer’s (OCFO) financial reporting process and systems of internal controls regarding finance, accounting, and legal compliance; (2) monitoring the independence and performance of the District’s independent auditors (Auditors); and (3) providing an open avenue of communication among the Auditors, EOM, D.C. Council, OCFO, and other District management officials.

The Committee, chaired by the AIGA, is comprised of District officials, who are independent of the OCFO, including representatives from the OIG, the D.C. Council, and the EOM. The Committee also invites representatives from the GAO, as well as OCFO, and various District agencies to attend select meetings, as appropriate.

In order to ensure adequate and timely actions are taken by management to recommendations, the Committee continued to meet throughout FY 2013. As part of these meetings, we invited agency heads to present the status of work completed at their respective agencies to address deficiencies and open recommendations. Agencies that had

ACTIVITIES OF THE AUDIT DIVISION

representatives attend Committee meetings in FY 2013 included: DCPS; OCFO; the Office of Contracting and Procurement; and the Department of Health Care Finance.

FY 2012 CAFR. On February 4, 2013, KPMG, LLP issued the District's FY 2012 CAFR. This issuance marks the District's sixteenth consecutive unqualified opinion on its financial statements.

In connection with the audit of the District of Columbia's general purpose financial statements for FY 2012, KPMG, LLP submitted its *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters*. This report identified four significant deficiencies. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is important enough to merit attention by those charged with governance. The significant deficiencies identified in the report are weaknesses in the following areas: (1) General Information Technology Controls; (2) Procurement and Disbursement Controls; (3) Tax Revenue Accounting and Reporting; and (4) Financial Reporting for Capital Assets.

SIGNIFICANT AUDIT FINDINGS

Our audits focus on continuously assessing those programs and activities that pose the greatest risks to maintaining the District's fiscal integrity and renewed financial strength. To address these risks, we designed our audits to concentrate on seven strategic themes that take into consideration the Mayor's strategic initiatives. When District leadership and the OIG identify and address such risks early, the likelihood of returning to a control period in the future is minimized. The seven themes are as follows:

- I. Revenue Enhancement
- II. Spending and Efficient Use of Resources
- III. Delivery of Citizen Services
- IV. Support Services
- V. Audits Required by Law
- VI. District of Columbia Public Education Programs
- VII. Prior Performance Audits

Summaries of FY 2013 audit reports are included at Appendix H. To show the results of our audits by their respective risk area, we have summarized a selection of significant audits by the themes identified above.

ACTIVITIES OF THE AUDIT DIVISION

AUDIT HIGHLIGHTS BY THEME

REVENUE ENHANCEMENT

Application Control Review of the Integrated Tax System, OIG No. 11-1-11AT, May 15, 2013

The Office of Tax and Revenue (OTR) lacked adequate management controls to ensure that: (1) sufficient and effective governance tools were formally developed to better direct information technology (IT) expenditures for optimal advantage and risk management; (2) risks associated with the delivery and support of software applications were sufficiently mitigated; and (3) application and general controls were aligned with applicable statutory provisions and best practices to minimize the risk of errors and fraud.

As a result, OTR failed to collect \$6.5 million in penalty revenue and adequately minimize the risk of tax fraud and errors. Moreover, the conditions found during this audit further revealed that OTR is at risk of: (1) unnecessary or wasteful spending related to inefficient resource management and inadequate planning; (2) insufficient application support; and (3) unauthorized changes to critical data and programs.

We directed 18 recommendations to Office of Chief Financial Officer that we believe are necessary to address deficiencies identified during the audit. The recommendations focus on: (1) developing an IT strategic plan aligned with the agency's strategic objectives; (2) adopting a well-established IT governance model to integrate good business practices in service delivery functions; and (3) strengthening application and general controls related to the Integrated Tax System and the District's tax administration processes.

SPENDING AND EFFICIENT USE OF RESOURCES

Audit of the District's Plan to Procure and Manage Information Technology Services, OIG No. 13-2-25PO, September 24, 2013

The Office of the Contracting and Procurement (OCP) did not implement the OIG's audit recommendation made in OIG audit report No. 10-1-19TO, issued on August 3, 2011, and did not perform a cost estimate prior to issuing a Request for Proposal (RFP) for IT services to justify that use of a contract to manage District IT procurement services is more economical than using District personnel. Our audit disclosed that the District's use of a contract to manage District IT procurement services, rather than using District personnel to

ACTIVITIES OF THE AUDIT DIVISION

manage the same, cost the District about \$9 million more over a 5-year period (2008-2013). Based on these same calculations, we believe that if the District instead elects to manage Information Technology Staff Augmentation (ITSA) procurement services in-house, the District will save at least the same amount over a 5-year period.

We directed one recommendation to the Chief Technology Officer (CTO) and one recommendation to the Chief Procurement Officer (CPO). The recommendations focus on: (1) improving management of ITSA procurement services; and (2) providing justification for use of a contract for services rather than District personnel to manage ITSA procurement services.

DELIVERY OF CITIZEN SERVICES

Audit of the Department of Health's (DOH) Food Safety and Hygiene Inspection Services Division (FSHISD), OIG No. 09-2-34LQ, December 19, 2012

The DOH audit objectives were to: (1) determine whether food establishments in the District of Columbia were receiving proper safety and hygiene inspections; (2) determine the qualifications and adequacy of food inspectors; (3) evaluate the adequacy of procedures used by the Department of Health (DOH) and Office of the Chief Financial Officer for collecting civil fines and penalties; (4) assess whether DOH complied with requirements of applicable laws, regulations, policies, and procedures; and (5) determine whether DOH implemented internal controls to prevent and detect fraud, waste, and abuse.

Our audit found that the District Food Code has not been updated since its implementation in 2003 and lacks over 280 material updates reflected in the most recent version of the U.S. Food and Drug Administration (FDA) Food Code. We identified several omissions based on the FDA's list of notable changes that would impact food safety for District residents and visitors.

In addition, D.C. Code § 7-731(Exclusive Agency Powers) does not authorize DOH to regulate the inspections of tanning, tattoo, body art, and body piercing establishments. There are also no formal guidelines for inspecting these establishments. Routine inspections for establishments were lagging in some instances and not performed in others, and inspection reports were not properly organized and maintained in a central storage area.

Furthermore, we determined that DOH was not aware of the correct amount for business license fees, payment transfers from the Department of Consumer and Regulatory Affairs (DCRA) to DOH for business licenses were not timely completed, and DOH did not collect revenue from establishment owners for 229 civil fines totaling \$260,100. We found that the

ACTIVITIES OF THE AUDIT DIVISION

Office of Administrative Hearings (OAH) did not issue final judgments to collect the outstanding balances from partial payments of civil fines, totaling \$4,110. Finally, DOH could not provide the exact number of food and health-related establishments operating in the District because DCRA did not provide DOH with accurate and complete information reflecting all establishments with valid business licenses.

Our benchmarking studies provided DOH with a comparative breakdown of food safety and hygiene inspection operations of six jurisdictions that have food and health protection programs similar to the District of Columbia. Our benchmarking efforts can be used as a tool to improve the efficiency and effectiveness of DOH's operational process for the Food Safety and Hygiene Inspection Services Division.

We directed 24 recommendations to DOH that we believe are necessary to correct the deficiencies noted in this report. The recommendations center, in part, on: (1) revising D.C. Code provisions and regulations; (2) improving internal controls for conducting routine inspections; (3) developing written policies and procedures for records management; (4) implementing inter-agency agreements for collecting revenue; (5) collecting over \$260,000 in outstanding civil fines; and (6) imposing sanctions provided in D.C. Code provisions for civil fine nonpayment.

Additionally, we directed two recommendations to DCRA to update its management information system to ensure that it consistently reflects accurate and complete information. We further recommended that DCRA provide DOH supporting documentation reflecting the number of establishments receiving and renewing business licenses, and the amount of revenue received from business license fees that should be transferred to DOH.

SUPPORT SERVICES

Audit of the Office of Risk Management's (ORM's) System for Managing the Resolution of Audit Findings and Recommendations, OIG No. 11-1-08MA, October 24, 2012

Our audit objective was to determine the effectiveness of ORM's system for managing the resolution of findings and recommendations from various sources. We found that ORM is not in full compliance with the provision of its establishing legislation that requires implementing and maintaining a system for managing the resolution of audit findings and recommendations from various audit entities. The system currently in place only tracks the status of open and unresolved OIG audit report recommendations, but does not track recommendations issued by other D.C. oversight entities. As currently designed, the system is inadequate to fulfill ORM's statutory responsibilities to manage the resolution of all audit

ACTIVITIES OF THE AUDIT DIVISION

findings and recommendations issued to District agencies. We also found that ORM has not fully implemented audit recommendations made in our previous audit report meant to aid ORM in complying with its statutory mandate.

We attributed this condition to several factors that include: ORM's limited view of its responsibilities regarding certain provisions in its establishing legislation; historical focus of risk management activities concerning health and safety issues; unclear expectations from District officials; and unclear roles and responsibilities for Agency Risk Management Representatives (ARMRs). Noncompliance with the regulatory requirements governing the audit follow-up process increases the risk that reported control deficiencies will not be timely resolved to prevent fraud, waste, and abuse in District government operations. Additionally, District stakeholders cannot be assured that the findings and recommendations contained in various audit and management advisory reports were resolved in a timely manner, and that resolutions were in the District's best interest.

We directed five recommendations to the ORM that we believe are necessary to correct the deficiencies noted in this report. The recommendations, in part, center on: (1) developing and implementing a system fully compliant with ORM's statutory requirement to manage the resolution of findings and recommendations, giving consideration to the requirements of the U.S. Office of Management and Budget (OMB) Circular No. A-50 Revised, *Audit Followup*; (2) coordinating with District officials for the support and resources necessary to implement its system; (3) finalizing and distributing to relevant staff standard operating procedures that take into consideration relevant provisions of OMB Circular A-50; (4) establishing and communicating clear and concise roles and responsibilities for personnel appointed as ARMRs with regard to audit follow-up of audit findings and recommendations; and (5) developing and implementing formal training for personnel appointed as ARMRs that includes, among other things, procedures for the resolution of findings and recommendations.

We also directed two recommendations to the D.C. Council to establish reporting requirements for ORM and implement a directive to all audit organizations issuing audit reports and management letters to District agencies to provide ORM with a copy.

AUDITS REQUIRED BY LAW

Various laws require the OIG to perform specific annual audits, some of which must be performed only by contracts with certified public accounting firms. Largest among the required audits is the Comprehensive Annual Financial Report (CAFR). In addition, the District's annual appropriation legislation often includes language that requires the OIG to conduct one-time audits.

ACTIVITIES OF THE AUDIT DIVISION

PRIOR PERFORMANCE AUDITS

Audit of the District's Department of Motor Vehicles (DMV) Ticket Processing Services, OIG No. 11-2-25MA, November 15, 2012

The follow-up audit was included in the OIG's Fiscal Year 2012 Audit and Inspection Plan. Our audit objectives were to determine whether: (1) the recommendations addressed in the Audit of the D.C. Department of Motor Vehicles Ticket Processing Services (OIG No. 07-2-03MA), issued December 5, 2007, have been satisfactorily implemented; (2) the contract was awarded and administered in an efficient, effective, and economical manner; (3) District agencies complied with applicable laws, regulations, and policies and procedures; (4) adequate oversight exists over metering enforcement and ticket issuing processes; and (5) internal controls are adequate to safeguard against fraud, waste, and abuse.

Our audit found that DMV did not comply fully with applicable regulations contained in Title 27 of the District of Columbia Municipal Regulations (DCMR) when awarding sole source contracts. Specifically, OCP issued ACS State and Local Solutions, Inc. (ACS) three sole source contracts to extend the ticket processing and related services contract without soliciting competition. As a result, there is no assurance that the District obtained the best value for the services received under the sole source contract. Furthermore, DMV did not ensure that an outside audit firm conducted quarterly audits of ACS's performance regarding the District's traffic ticketing activities and related financial transactions. Also, the process for voiding traffic tickets or citations by DMV Adjudication Services is not documented and lacks proper segregation of duties. Additionally, we found that DMV parking and traffic tickets issued and processed in 2010 revealed that opportunities exist to minimize revenue loss by reducing the number of citations dismissed due to procedural technicalities or errors of law enforcement partners and ticket-issuing agencies. Lastly, our audit found that the DMV ticket voidance process allows the issuing agency to submit citations to DMV for voidance processing after DMV has adjudicated liability.

We directed nine recommendations to the Director of DMV—three of which were also directed to the CPO, OCP—that we believe are necessary to address deficiencies identified in this report. The recommendations center, in part, on: (1) soliciting and awarding a new competitively bid contract for ticket processing and related services; (2) monitoring and enforcing contract terms and conditions; (3) assessing the required frequency of the independent audit to determine whether it is feasible; (4) designing, documenting, and implementing a reconciliation control for the ticket voidance process; and (5) establishing internal control procedures to ensure adequate segregation of duties in the ticket voidance process.

**ACTIVITIES OF THE INSPECTIONS
AND EVALUATIONS DIVISION**

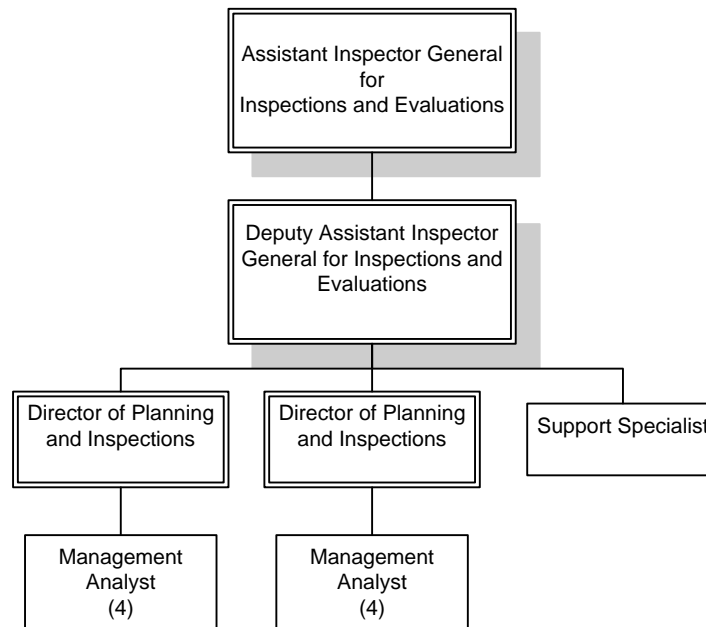


ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION

ORGANIZATION AND MISSION

The OIG Inspections and Evaluations Division (I&E) is managed by an Assistant Inspector General (AIG), a Deputy Assistant Inspector General (DAIG), and two Directors of Planning and Inspections (DPIs). The AIG sets policy and, through the DAIG, provides leadership and direction to the division. The DPIs supervise the management analysts' inspection activities both in the field and at the OIG, and oversee the day-to-day administrative activities in the division.

OIG INSPECTIONS AND EVALUATIONS DIVISION as of September 30, 2013



I&E is responsible for conducting inspections of District government agencies and programs. An OIG inspection is a process that evaluates, reviews, and analyzes the management, programs, and activities of a District department or agency in order to provide information and recommendations that will assist managers in improving operations, programs, policies, and procedures. Inspections provide senior managers with an independent source of factual and analytical information about vital operations; measuring performance; assessing efficiency and effectiveness; quality assurance procedures; and identifying areas of mismanagement, fraud, waste, and abuse. Inspection results are published in Reports of Inspection (ROIs), Management Alert Reports (MARs), and Management Implication Reports (MIRs). The OIG provides a MAR to inform agency management of a matter that

ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION

surfaced during an inspection that requires the immediate attention of the head of an agency or department. Similarly, the OIG issues a MIR on a matter of priority concern that affects, or has the potential to affect, multiple District agencies. The findings developed during inspections may also lead to recommendations for OIG investigations or audits. Finally, I&E conducts re-inspections and has an ongoing compliance program to monitor agency compliance with recommendations presented in I&E reports.

CREDENTIALS AND QUALIFICATIONS

I&E has eight management analyst positions and a support specialist. Analysts typically have a 4-year degree from an accredited college or university in the field of business or public administration. Most managers and analysts have graduate degrees. Senior analysts have significant experience working in or with state or federal government, or private industry, as inspectors, management analysts, auditors, managers, or program managers. New analysts receive both formal, job-specific training and on-the-job training in the evaluation and analysis of District government organizations and their management.

INSPECTION STANDARDS

I&E adheres to the Quality Standards for Inspection and Evaluation promulgated by the Council of the Inspectors General for Integrity and Efficiency. I&E pays particular attention to the quality of internal control exercised by District agency managers.

PERFORMANCE MEASURES USED TO EVALUATE PROGRESS

I&E set the issuance of 10 inspection reports as its performance standard for FY 2013. I&E met its goal by issuing 10 reports. See Appendix I.

I&E performance can be measured in part by the number of final reports issued. Performance indicators of the overall effectiveness of the inspection program are the number of inspections conducted, findings identified, recommendations made and agreed to by an inspected agency, and subsequent improvements in agency operations as determined through re-inspections and other compliance activities.

INSPECTION ACTIVITIES AND REPORTS ISSUED

Inspections can take from 6 months to a year, depending on the size of the inspected agency, the complexity of the issues, and the inspection resources available. Recommendations made to agency and department heads call for corrective measures to improve operations, address deficiencies, and ensure that District and federal laws, regulations, and policies are followed.

ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION

The following are synopses of reports I&E issued during FY 2013. The number of findings and recommendations resulting from each report appear in Appendix J.

INSPECTION REPORTS (BY AGENCY)

D.C. HOUSING AUTHORITY

Report of Special Evaluation, *Client Placement Division*, OIG No. 13-I-0054HY, March 15, 2013

The objectives of this special evaluation were to analyze the D.C. Housing Authority's (DCHA) intake, waiting list management, and eligibility determination processes; identify inefficiencies in the application and client placement processes; recommend ways in which the Housing Authority could more efficiently assist clients seeking housing; and assess management practices. The team found, among other things, that: 1) DCHA's maintenance of open waiting lists allowed thousands of individuals to apply annually despite a limited availability of housing and unreasonable timeframes for housing placement; and 2) the lack of a comprehensive policies and procedures manual may result in employees' inconsistent interpretation and administration of governing regulations.

DEPARTMENT OF GENERAL SERVICES

Management Alert Report, *Lack of Security Measures Observed at the 441 4th Street, N.W. Mail Room Managed by the Department of General Services*, OIG. No. MAR 13-I-001, January 18, 2013

The impetus for this Management Alert Report (MAR) occurred in November 2012, when an I&E inspector observed security deficiencies at the mailroom managed by the Department of General Services in 441 4th Street, N.W., one of the District government's largest office complexes. I&E published this MAR to highlight practices that increased the risk of theft and could have compromised official and private correspondence and other information, and threatened building safety by allowing potentially dangerous packages and envelopes to go unchecked.

ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION

DEPARTMENT OF HEALTH

Report of Special Evaluation, 2007-2010 Youth and HIV/AIDS Prevention Initiative Plan, OIG. No. 13-I-0051HC, October 23, 2012

The Department of Health's (DOH) HIV/AIDS, Hepatitis, Sexually Transmitted Disease, and Tuberculosis Administration (HAHSTA) works to prevent and reduce the transmission of disease and provide care and treatment to infected persons, and collaborates with community-based organizations (CBOs) to offer testing, education, medication, and supportive services. In 2007, representatives from DOH, CBOs, and educational institutions created the 2007-2010 Youth and HIV/AIDS Prevention Initiative Plan. The purposes of this special evaluation were to determine whether HAHSTA met key objectives in the Plan, and assess HAHSTA's grant monitoring procedures. I&E concluded that HAHSTA achieved most of the Plan's objectives and core activities, and that HAHSTA employees worked diligently to fulfill the administration's mission.

Report of Special Evaluation, Health Regulation and Licensing Administration, OIG. No. 13-I-0057HC, September 24, 2013

I&E conducted this special evaluation in response to a letter from the then Director of DOH that communicated allegations regarding the integrity of operations at DOH's Health Regulation and Licensing Administration (HRLA). The objectives of this project were to assess HRLA's: (1) compliance with funding and reporting requirements related to grant funds it had received to establish a criminal background check (CBC) program; (2) implementation of the CBC program as indicated in its response to an I&E MAR issued in August 2010; and (3) protocols for handling and reporting check payments and revenue. The report of special evaluation contained six findings and five recommendations pertaining to HRLA's payment handling process and obstacles to fully implementing the CBC program.

DEPARTMENT OF HUMAN RESOURCES

Report of Special Evaluation, Agencies' Implementation of and Compliance With the District's Mandatory Drug and Alcohol Testing (MEDAT) Policy, OIG. No. 13-I-0056CF, June 24, 2013

Title 1 of the Child and Youth, Safety and Health Omnibus Amendment Act of 2004 (CYSHA), D.C. Law 15-353, effective April 13, 2005, is also referred to as the Mandatory Drug and Alcohol Testing for the Protection of Children Amendment Act of 2004. It requires testing of certain District government job applicants and incumbents, defines a "safety-sensitive position" and other key terms, and enumerates instances/events under which

ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION

persons in safety-sensitive positions shall be tested, such as following an on-the-job accident and through random selection from a pool of other safety-sensitive employees.

Currently, over 13,000 District employees are considered safety-sensitive, with the majority of them (over 8,000) employed by the District of Columbia Public Schools (DCPS.) During the course of this special evaluation, I&E reached two primary conclusions: (1) DCPS had failed to implement a MEDAT program; and (2) implementation and application of the District's MEDAT policy have been extremely inconsistent among the remaining agencies covered by the CYSHA. This report presented District stakeholders with 5 findings and 15 recommendations for corrective action.

DEPARTMENT OF HUMAN SERVICES

Report of Special Evaluation, *New York Avenue Men's Emergency Shelter*, OIG No. 13-I-0055JA, May 7, 2013

This report of special evaluation was the third in a series of inspections of District-funded homeless shelters. (In FY 2012, in addition to an assessment of the Department of Human Services' (DHS) Office of Shelter Monitoring, I&E published reports pertaining to the 801 East Shelter and the D.C. General Shelter.) Operated by Catholic Charities under a contract with The Community Partnership for the Prevention of Homelessness, the New York Avenue Men's Emergency Shelter is a shelter for men 18 years of age or older, located at 1355 New York Avenue, N.E. With capacity to house 360 men, it is open from 7:00 p.m. to 7:00 a.m. daily. The team assessed intake procedures, accommodations, case management practices, and physical conditions throughout the facility. During the special evaluation, shelter employees appeared dedicated to the well-being of their clients and the maintenance of an orderly facility, despite limited resources. The I&E team made a total of eight recommendations, and the findings of greatest concern were the insufficiency of security personnel during the hypothermia season and evening shift, and a severe and ongoing rodent problem.

DEPARTMENT ON DISABILITY SERVICES

Report of Special Evaluation, *Department on Disability Services – Developmental Disabilities Administration*, OIG. No. 13-I-0053JM, November 30, 2012

The mission of the Department on Disability Services (DDS) is to “provide innovative, high quality services that enable people with disabilities to lead meaningful and productive lives as vital members of their families, schools, workplaces and communities in every

ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION

neighborhood in the District of Columbia.”¹ With an objective to assess the quality and efficacy of DDS’s monitoring of clients’ treatment in out-of-state residential facilities, the I&E team focused primarily on DDA’s Service Coordination Division. The team interviewed DDS personnel and service provider representatives, reviewed 40 randomly selected case records, and visited client residences at 6 provider locations outside the District. The draft report presented DDA with 6 findings and 16 recommendations, some of which the OIG now considers “closed” following a review of DDA’s written responses to the draft prior to publication of the final report.

FIRE AND EMERGENCY MEDICAL SERVICES DEPARTMENT

Report of Re-inspection, *Conditions in FEMS Fire Stations*, OIG. No. 13-I-0052FB, November 29, 2012

This re-inspection of the Fire and Emergency Medical Services Department (FEMS) was a follow-up to the special evaluation published in October 2007 (No. 07-I-027 FEMS). The OIG team conducted observations of FEMS’s fire stations and its Fire Boat facility to: (1) evaluate previously inspected areas to determine whether FEMS had implemented recommendations and corrected deficiencies cited in the 2007 report of special evaluation; and (2) report on areas of significant progress or new concern and present recommendations for improvement. During this re-inspection, I&E found numerous deficiencies, such as missing and/or inoperative smoke detectors, dispatch boards that were unreliable, broken windows, improperly functioning heating and cooling systems, and evidence of rodent infestations. Prior to publication of the final report of re-inspection, the OIG team issued 10 Compliance Forms for Priority Matter to FEMS related to concerns identified during fieldwork.²

In conjunction with re-inspection fieldwork, I&E also issued a MAR in March 2012 entitled, *D.C.’s Primary Fireboat is 50 Years Old and In Need of Thorough Assessment; FEMS Apparently Has No Strategy For Replacing This Critical, Outdated Apparatus*.

Management Alert Report, *Deficiencies Observed in the Repair and Readiness of Reserve Vehicles*, OIG. No. MAR 13-I-002, February 19, 2013

In February 2013, I&E informed FEMS of concerns about the condition, operability, and readiness of its reserve apparatus fleet. OIG observations and analysis showed that many

¹ <http://dds.dc.gov/DC/DDS/About+DDS?nav=0&vgnextrefresh=1> (last visited Oct. 23, 2013).

² The OIG issues Compliance Forms for Priority Matter when possible health and safety implications are identified during fieldwork. The Forms normally focus on single issue concerns, and are brought to the attention of senior inspected agency officials so that immediate corrective action(s) can be taken.

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vehicles designated as reserve vehicles were out of service and could not be used if needed as frontline replacement vehicles assigned to neighborhood fire stations, or to respond to large-scale emergencies or mass casualty events. I&E recommended, among other things, that FEMS evaluate the quality and timeliness of its Apparatus Division's operations and take all steps necessary to ensure that: (1) repairs are timely and permanent; (2) all vehicles designated as reserves are always ready for immediate deployment; and (3) all data on repair activities and the status of reserve vehicles are accurate, documented, and easily retrievable.



ACTIVITIES OF THE INVESTIGATIONS DIVISION

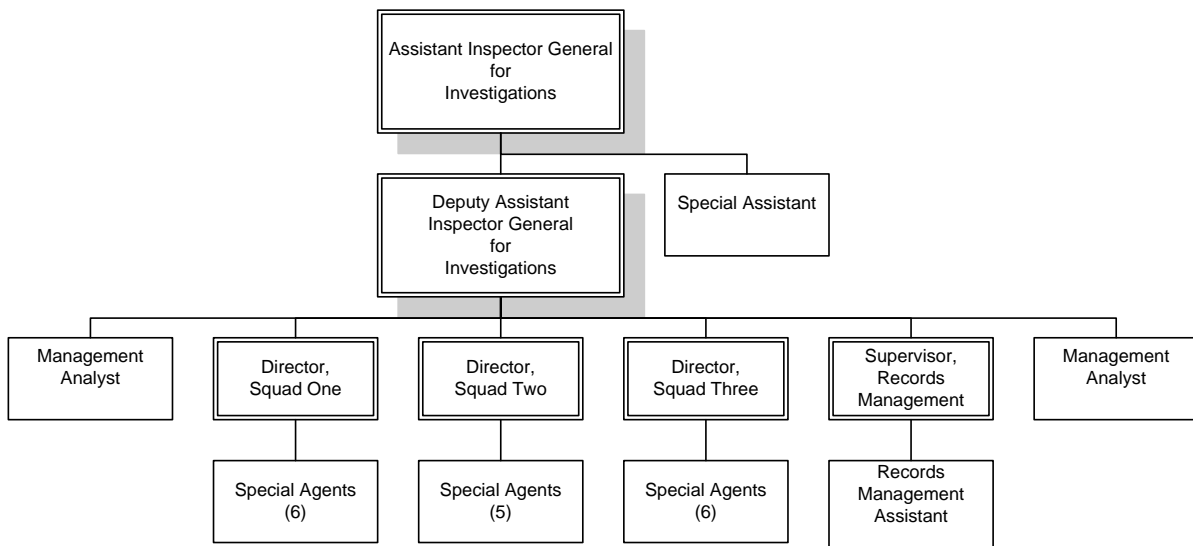


ACTIVITIES OF THE INVESTIGATIONS DIVISION

ORGANIZATION

The day-to-day operation of the Investigations Division (ID) is the responsibility of the Assistant Inspector General for Investigations (AIGI), who supervises a management team that consists of a Deputy AIGI, three squad Directors, and one Records Management Supervisor. Each Director is responsible for a team of special agents who are assigned both administrative and criminal investigations concerning District government operations, District government employees, and those doing business with the District government. The Records Management Supervisor, who reports directly to the Deputy AIGI, provides organization and accountability for the various records systems of the OIG. The ID also has a Management Analyst, who is responsible for the ID Referral Program. Through this program, the ID refers matters involving possible mismanagement and inefficiency to other District agencies and requests responses from those agencies. ID also has a Hotline Program, which is staffed by ID special agents.

OIG INVESTIGATIONS DIVISION as of September 30, 2013



The ID consists of 27 employees, including 6 managerial/supervisory personnel, 17 special agents, 1 special assistant, 2 management analysts, and 1 support staff member. OIG special agents are sworn law enforcement officers. Many of our special agents hold advanced degrees and professional certifications. Newly hired special agents are required to meet firearm qualification standards of a federal law enforcement agency and the Metropolitan

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Police Department (MPD). The ID staff includes former investigators and managers from law enforcement agencies such as the Federal Bureau of Investigation (FBI), the Drug Enforcement Administration, the United States Secret Service (USSS), federal OIGs, and major police departments. Special agents are authorized to carry firearms during the performance of their official duties, make arrests in limited situations, execute search warrants, and administer oaths.

RESPONSIBILITIES

The ID is responsible for conducting criminal and administrative investigations into allegations of waste, fraud, and abuse on the part of District government employees and contractors. In addition, the ID conducts investigations of District government employees alleged to have violated the Standards of Conduct (D.C. Code § 1-618.01 and 6 DCMR Chapter 18). When investigative findings solely indicate non-criminal employee misconduct or management deficiencies, a Report of Investigation (ROI) is prepared and forwarded to the responsible agency head. These administrative investigations typically uncover violations of District law, policy, and/or regulations. They also identify the individuals responsible for the violations and make recommendations for administrative action. Equally important to the investigative process is the identification of program weaknesses, contracting irregularities, and other institutional problems that place a District government agency at risk for waste, fraud, and abuse. Therefore, ROIs frequently make specific recommendations to correct the identified deficiencies, provide guidance on applicable laws and regulations, and suggest employee training where appropriate.

When investigative findings are indicative of criminal conduct, they are presented to the United States Attorney's Office for the District of Columbia (USAO) or the Office of the Attorney General for the District of Columbia (OAG) for prosecutorial opinion and action. When a case is referred for prosecutorial consideration, the investigation proceeds under the guidance and direction of an Assistant U.S. Attorney and often in conjunction with other law enforcement partners, such as the FBI. The investigative findings also are used to determine whether civil action is appropriate in addition to or in lieu of criminal prosecution.

The Referral Program is an important tool for investigative work of the ID and allows the OIG to be responsive to complaints of waste, fraud, and abuse. Complaints and allegations received by the OIG that do not warrant the immediate initiation of a formal investigation by the ID are referred to the appropriate District or other government agency for consideration and resolution, often with a request that the responsible agency head respond to the ID's questions and concerns. The ID reviews the responses and determines whether further investigation is warranted. The Referral Program is an invaluable mechanism by which the OIG is able to ensure that District government agency heads are accountable and responsive to the concerns and interests of members of the public.

ACTIVITIES OF THE INVESTIGATIONS DIVISION

The Hotline Program is an equally important component of the ID whereby the OIG is able, 24 hours a day, to receive telephonic complaints from District government employees and the general public. A special agent is on duty every working day during normal business hours to respond to telephonic complaints. All telephonic complaints received during non-business hours are recorded and processed on the next workday. In addition, the ID receives complaints by electronic mail (email), regular mail, facsimile, walk-ins, and by referral from other departments and agencies and the D.C. Council.

The Records Management Unit (Unit) is responsible for maintaining the investigative files of the ID and for coordinating the development and retention of all OIG files in accordance with District law and policy. The Unit also is responsible for maintaining the chain-of-custody for all evidence and for protecting the confidentiality of matters subject to the grand jury secrecy provisions of Rule 6(e) of the Federal Rules of Criminal Procedure. In addition, the Unit works closely with the OIG's Legal Division to identify and produce documents requested pursuant to the District of Columbia Freedom of Information Act, D.C. Code §§ 2-531-540 (2001). Consequently, the Unit also is responsible for maintaining a comprehensive database and case filing system that allows the ID to locate investigative information through the identity of complainants and subjects.

The ID also conducts corruption prevention lectures for District government employees working in various agencies to inform them of the criminal, ethical, and administrative rules that District government employees are required to follow. This outreach program educates District government employees of the OIG mission so that they can fulfill their obligations to report crime, corruption, and conflicts of interest appropriately.

PERFORMANCE MEASURES TO EVALUATE PROGRESS

Performance measures are set by the Inspector General to assess the ID's progress in processing complaints and referrals and conducting preliminary investigations. Appendix K provides a statistical comparison of actual FY 2013 performance of these functions with target goals. In FY 2013, the ID exceeded its target goals in all performance measures. Appendix L reflects a separate statistical accounting of a variety of ID accomplishments and compares that accounting with the previous 3 fiscal years.

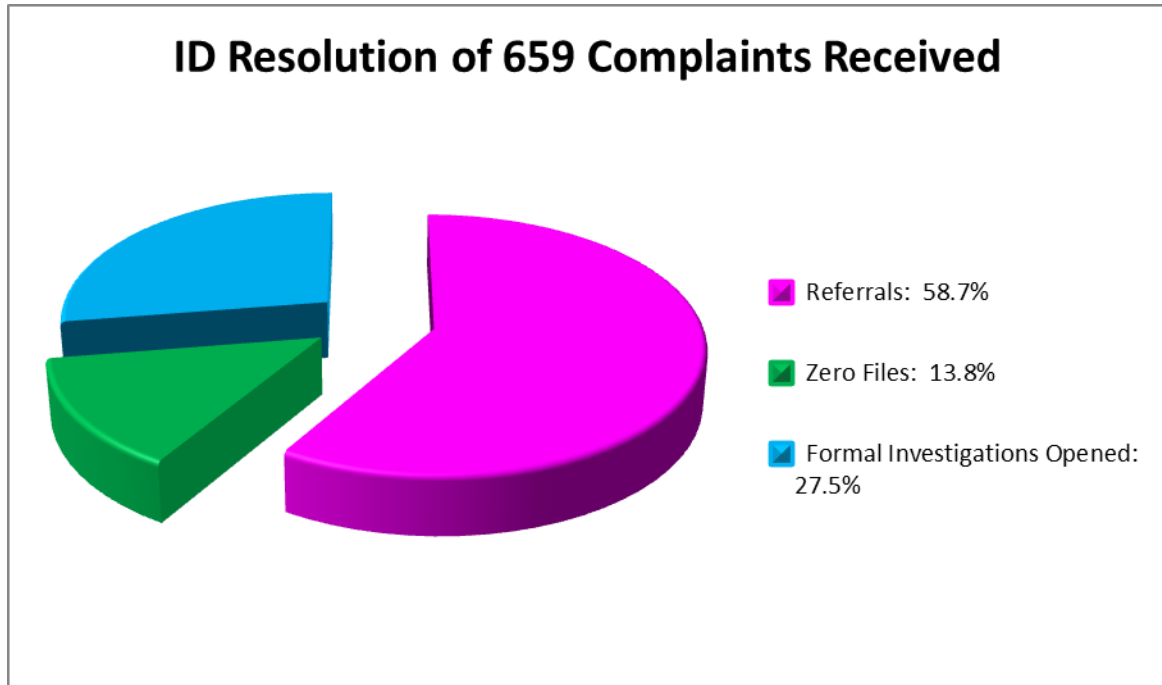
INVESTIGATIVE WORKLOAD AND PRIORITIES

During FY 2013, the ID processed 659 new complaints. Of those 659 new complaints, the ID opened 181 formal investigations, including 133 criminal investigations, 19 administrative investigations, and 29 preliminary investigations. In addition, of the 659 new complaints, the ID referred 387 to agency heads for action, and closed 91 without further action (or placed in a "Zero file"). During FY 2013, ID special agents conducted 2 searches

ACTIVITIES OF THE INVESTIGATIONS DIVISION

pursuant to the OIG's administrative authority or a search warrant and 100 subpoenas were issued to further the ID's investigations.

The chart below reflects the proportionate resolution of 659 new complaints received in FY 2013.



Each special agent maintains an average caseload of 10 to 15 formal investigations. This is a high caseload in comparison to federal OIGs and other law enforcement agencies that investigate public corruption and government fraud. Consequently, the ID is required to prioritize the use of its investigative resources. Priority investigations include:

- matters referred from the Executive Office of the Mayor, D.C. Council, and the U.S. Congress;
- allegations of serious criminal activity on the part of District government employees or contractors involving government fraud and public corruption;
- allegations of procurement fraud that are of a significant dollar value;
- allegations of misconduct on the part of agency heads and other high-ranking executives in the District government; and
- systemic program or management deficiencies that need immediate attention and correction.

ACTIVITIES OF THE INVESTIGATIONS DIVISION

INVESTIGATIONS CLOSED

In FY 2013, the ID closed 213 formal investigations. The formal investigations closed include 13 that resulted in a criminal conviction. Appendix M details the agencies involved in formal investigations closed during FY 2013.

HOTLINE USAGE

Detailed OIG Hotline statistics are included in Appendix N. D.C. Code § 47-2881 (Supp. 2013) requires the OIG to submit quarterly reports to Congress on the number and nature of calls placed to the OIG Hotline. The OIG Hotline numbers are (202) 724-TIPS (8477) and (800) 521-1639. Approximately 2,000 Hotline calls are received every year. The OIG Hotline is used to report a wide range of matters. Not all calls, however, result in the OIG opening a formal investigation. In some cases, the callers (many of whom elect to remain anonymous) do not report sufficient information to enable the OIG to initiate an investigation, and other calls concern matters that are not within the OIG's jurisdiction.

Numerous complainants call the OIG Hotline to report that District government agencies were not responsive to their initial concerns. Many of these and other inquiries were successfully redirected to a responsive District government official or resolved informally with the caller.

While OIG Hotline calls represent just one of the ways in which government employees and concerned members of the public provide information to the OIG, it is important to note that significant OIG cases have resulted from these complaints. The OIG also receives reports of government corruption, waste, fraud, and abuse via email, regular mail, facsimile, walk-ins, and by referral from other departments and agencies and the D.C. Council.

SUMMARY OF PROSECUTORIAL ACTIVITY

The OIG refers credible allegations of criminal conduct on the part of District government employees and contractors to the USAO and other prosecutors for prosecutorial consideration. *See* D.C. Code § 1-301.115a(3)(F)(ii) (2001). In FY 2013, the OIG presented 42 cases for prosecution. Of these, 24 cases were accepted for further investigation, 18 cases were declined. These figures include investigations initiated in previous fiscal years. The investigations conducted by the OIG (in some cases jointly with other law enforcement agencies) resulted in 25 arrests, 1 indictment, 13 convictions, and 13 sentences. The sentences included imprisonment, home detention, probation, fines, community service, and restitution.

ACTIVITIES OF THE INVESTIGATIONS DIVISION

RESTITUTION AND RECOVERIES

During FY 2013, individuals convicted as a result of ID investigations were ordered to pay a total of \$366,610.28 in restitution.

INVESTIGATIVE REPORTS

Formal ROIs are issued at the conclusion of substantiated administrative investigations of misconduct, waste, fraud, and abuse. In cases where the allegations are substantiated, the ROIs recommend administrative and/or remedial action where appropriate. These ROIs are then distributed to the responsible District government agency head, with executive summaries distributed to the Mayor, D.C. Council members, and, in some instances, to Congressional oversight committees. The OIG issued 17 ROIs in FY 2013 containing a total of 35 recommendations.

In addition, the ID prepares other investigative reports. Management Alert Reports (MARs) are issued to District agency heads to alert them to an issue uncovered during the course of an ID investigation that requires immediate attention. No MARs were issued in FY 2013. Significant Activity Reports (SARs) are issued to notify the Mayor of convictions and sentences of persons who committed crimes affecting the District government, including District government employees and contractors. In FY 2013, the ID issued 13 SARs. The ID also issues Investigative Referrals to District, and occasionally non-District, agencies to notify them of significant events, including interim events, in an investigation. The ID issued 34 Investigative Referrals in FY 2013. The ID also issues Letters of Closure to notify agency heads of the conclusion of an investigation that was referred to the OIG by the agency head that did not result in the issuance of an ROI, MAR, SAR, or Investigative Referral. In FY 2013, the ID issued 20 Letters of Closure. The ID also completed 47 Administrative Closures, which are internal reports prepared when an administrative investigation is closed without a substantiated finding, and 153 Criminal Closures, which are internal reports prepared when a criminal investigation is closed without a criminal conviction. Finally, the ID completed 13 Preliminary Investigation Closures, which are internal reports prepared when a preliminary investigation is closed without a substantiated finding.

SIGNIFICANT INVESTIGATIONS

Misconduct Violations by District Government Employees for Misuse of Disability Placards

The OIG conducted 14 investigations that revealed that District government employees improperly used disability placards issued by the Maryland Motor Vehicles Administration (MVA) or the D.C. Department of Motor Vehicles (DMV) to obtain free parking in the vicinity of their respective District of Columbia workplace. The investigations revealed that

ACTIVITIES OF THE INVESTIGATIONS DIVISION

the disability placards had been issued by either MVA or DMV to individuals other than the District government employee. In each investigation, the OIG conducted surveillances that revealed that the employee's vehicle was parked in the vicinity of their respective workplace in Washington, D.C., at metered parking spaces, with the disability placard attached to the rearview mirror. Moreover, on each occasion, OIG investigators observed both the parking meter and the dashboard of the employee's vehicle and witnessed that the employee had made no payment for use of the metered space. Each investigation resulted in an admission of misuse of a disability placard, followed by OIG recommendations to agency heads for appropriate administrative action.

District Government Employees and Members of the Public Fraudulently Received Department of Employment Services (DOES) Unemployment Insurance Compensation Benefits

The OIG regularly receives information from DOES and other sources regarding members of the public and District government employees who fraudulently received DOES unemployment insurance compensation benefits to which they were not entitled. Working under the guidance of the USAO, OIG investigators evaluated each allegation to determine which should be investigated and referred for criminal prosecution and which should be referred to the OAG for civil recoupment. In FY 2013, the USAO successfully prosecuted four cases investigated by the OIG and referred for criminal prosecution. All of these cases resulted in criminal convictions for Fraud in the Second Degree. The five defendants were ordered to pay a total of \$123,921 in restitution. In addition, the OIG referred 22 cases to the OAG for civil recoupment. Cases involving District government employees also were referred to the employing agencies for appropriate administrative action.

Former DOES Employee Sentenced for Falsifying Employment Applications

The OIG conducted an investigation that revealed that from November 2005 through September 2012, a former DOES Workers' Compensation Investigator submitted numerous employment applications for positions within the District government that listed a bachelor's degree issued by a known diploma mill. The former employee pled guilty to two counts of False Statements, and was sentenced to 60 days of incarceration (suspended), and 6 months of probation for falsifying two District government employment applications.

Former Department of Public Works (DPW) Employee Sentenced for Passing Counterfeit Notes at a Local Department Store

The OIG and USSS conducted a joint investigation that revealed that on April 11, 2012, a former DPW employee was observed passing \$900 in counterfeit currency at a local department store, in an attempt to purchase merchandise. On August 9, 2012, the former DPW employee pled guilty to one count of Uttering Counterfeit Obligations or Securities,

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and consequently was sentenced in FY 2013 to 24 months of supervised probation and ordered to pay \$900 in restitution.

Member of the Public Sentenced for Fraudulently Receiving D.C. Office of the State Superintendent of Education (OSSE) Childcare Subsidies

The OIG conducted an investigation that revealed that from January 2007 through June 2009, a member of the public fraudulently obtained \$42,114 in childcare subsidies. After the investigation, the member of the public pled guilty to one count of Fraud in the Second Degree. The member of the public was sentenced to 1 year of incarceration (suspended) and 5 years of probation for defrauding OSSE. In addition, the court ordered the member of the public to pay \$42,114 in restitution.

Member of the Public Sentenced for Fraudulently Receiving OSSE Childcare Subsidies

The OIG conducted an investigation that revealed that from October 2008 through August 2010, a member of the public fraudulently obtained \$24,698 in childcare subsidies while a resident in the State of Maryland. After the investigation, the member of the public pled guilty to one count of Fraud in the Second Degree. The member of the public was sentenced to 9 months of incarceration (suspended) and 5 years of probation for defrauding OSSE. In addition, the court ordered the member of the public to pay \$24,698 in restitution.

Member of the Public Sentenced for Receiving Stolen Property From D.C. Public Schools (DCPS)

The OIG conducted an investigation that revealed that from August 2006 through June 2010, a member of the public fraudulently received \$35,529 in tuition, at no cost, that they were not entitled while a resident of Maryland. The member of the public was sentenced to 180 days of incarceration (180 days suspended), and 3 years of probation for receiving stolen property from DCPS. In addition, the court ordered the member of the public to pay \$35,529 in restitution.

Member of the Public Sentenced for Embezzling Funds From Two Nonprofit Organizations That Receive District and Federal Funds

The OIG and the U.S. Department of Justice OIG conducted a joint investigation that revealed that from 2008 through 2011, a member of the public embezzled \$164,146.28 from two nonprofit organizations, both of which received District and federal funds. The member of the public pled guilty to two counts of 18 U.S.C. § 666, Theft Concerning Programs Receiving Federal Funds, and was sentenced to 42 months of incarceration and 3 years of supervised release. In addition, the member of the public was ordered to pay \$164,146.28 in restitution.

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Member of the Public Sentenced for Murder and Using the Identity of the Murder Victim to File for Unemployment Insurance Compensation Benefits

At the request of the USAO, the OIG and the U.S. Department of Labor OIG conducted a fraud investigation that revealed that while at a D.C. Public Library computer, a member of the public used the identity of a murder victim to file for unemployment insurance compensation benefits. On November 9, 2012, the member of the public was found guilty of Murder II While Armed, and the OIG's Memorandum of Interview was used as an aid in determining the sentencing. The member of the public was sentenced to 17 years of incarceration and 5 years of supervised probation for the murder and using the identity of the murder victim to file for unemployment insurance compensation benefits.

Misconduct Violations by Employees of the District of Columbia Consumer and Regulatory Affairs (DCRA)

The OIG conducted an investigation that revealed that two DCRA employees improperly used DCRA-issued parking garage access cards to obtain free parking for their respective personal vehicles at their District of Columbia workplace. The investigation revealed that the DCRA employees would sign out a DCRA vehicle from the fleet stored at a public parking garage, which was leased through a D.C. government space agreement. Upon signing out a DCRA vehicle, the DCRA employees would use the parking garage access card assigned to that vehicle to swap the DCRA vehicle with their respective personal vehicle in order to obtain free parking for the work day. At the end of the work day, the DCRA employees would use the parking garage access card to remove their personal vehicle and return the DCRA vehicle to the parking garage. The investigation resulted in four recommendations to DCRA, including a recommendation to address the misconduct of the employees.

Misconduct Violations by an Employee of the Department of Parks and Recreation (DPR)

In July 2013, the OIG issued an ROI from an investigation into allegations that a DPR employee was stealing equipment and supplies owned by the District government, as well as fuel for the DPR employee's personal vehicle. The investigation did not substantiate that the DPR employee stole District government equipment and supplies; however, the OIG substantiated that the DPR employee violated the District's standards of conduct when the DPR employee obtained gasoline belonging to the District of Columbia that was not needed to perform their duties as a DPR employee. Despite the DPR employee's denial of obtaining District gasoline for personal use, the evidence established that the DPR employee obtained District fuel that far exceeded the need to perform District duties; therefore, the excess fuel was used for non-District purposes. The report concluded with a total of four recommendations to the agency.

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REFERRALS

The OIG frequently refers administrative matters to other District departments and agencies that can best be addressed by those departments and agencies. The focus of the Referral Program is to hold agency heads accountable for thoroughly addressing issues of mismanagement and inefficiency within their respective agencies. During FY 2013, the OIG referred a total of 387 matters to the District agencies set forth in Appendix O. Appendix P details FY 2013 referral resolutions. The OIG requires responses to some of these referrals and monitors these responses to ensure that the matters are handled appropriately.

The OIG refers matters to appropriate federal, state, and local agencies throughout the country that do not warrant formal investigation by ID, do not relate to the District government, or for which the OIG does not have jurisdiction. In addition, matters concerning controlled substances and violent crimes are referred to MPD.

SIGNIFICANT REFERRALS

Fire and Emergency Medical Services (FEMS) Paramedic Misdiagnosed a Female Patient

The OIG received a complaint from an FEMS paramedic alleging that they were advised by a FEMS Program Manager that they failed to assess a female patient while on an ambulance run, which caused the paramedic to miss crackling sounds in the patient lungs. The FEMS employee checked with the hospital records and determined that there were no reports or treatment of the patient for crackling sounds in her lungs. The FEMS investigation revealed that the recording of the emergency call noted that the patient was experiencing shortness of breath. In addition, the investigation found that if the paramedic had reviewed the patient's health history and followed FEMS protocol, the paramedic would have known that the patient had chronic heart failure and not missed the crackling sounds. As a result of the FEMS investigation, the paramedic was placed on "No Patient Contact" and ordered to the Training Academy to complete the remediation recommendation.

Mismanagement and Misuse of a Recreational Field/Facility

The OIG received a complaint alleging that the DPR mismanaged the Watkins Recreational Field/Facility over the past 6 months, and despite numerous complaints from neighbors, DPR failed to address any of the concerns. The complaint also alleged that DPR failed to address the complaints because the DPR official who manages the field/facility also uses it for personal use. The DPR investigation resulted in DPR representatives, including the Director of DPR and the Chief of Staff, meeting with members of the Watkins community, representatives from Councilmember Tommy Well's office, and ANC Commissioners to discuss the field use. The discussion also addressed parking and the progress made to adjust

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the traffic flow to ease the pressure on residents. As a follow-up to the meeting, the DPR Chief of Staff emailed the attendees to summarize several issues to resolve the level of field use, use of lights, sound amplification, trash removal, and food provided at events.

Misappropriation of Funds Received by the Child Support Services Division (CSSD) for Child Support Recipients

The OIG received a complaint alleging misappropriation of money received by the CSSD for child support recipients. Specifically, the complaint alleges that two CSSD employees took CSSD funds that could not be located and used the funds to purchase electronics (e.g., TVs, iPads, iPods) and other personal gifts. The complaint also alleges that the employees did not go through the Office of the Chief Technology Officer (OCTO) for approval of these purchases, nor were the purchases approved through normal contracting procedures. The OCTO investigation revealed only four purchase approval requests relating to CSSD, and none involved the two CSSD employees. The Office of Contracting and Procurement's investigation resulted in the purchase card transactions being extracted from Payment Net; however, there were several purchases that warranted further review by the OIG. The OIG's subsequent review of the questionable purchases revealed no impropriety.

Falsification of a Student's Community Service Records at a DCPS

The OIG received a complaint alleging that a student's school records for community service hours completed were falsified at Anacostia High School. The complaint also alleged that DCPS Central Office of Administration failed to investigate and provide information about correction of the student's records. DCPS investigated the inquiry and gathered information from the student's file at Cardoza High School and the Central D.C. Stars Student Database, and a meeting was held with the Anacostia High School principal, guidance counselor, and Special Education Coordinator. The investigation confirmed that 100 community service hours were entered for the student in the Central D.C. Stars Student Database by the former Anacostia registrar. However, DCPS was unable to definitely determine whether these hours were falsified because the supporting documents in the student's cumulative folder were missing.

Unauthorized Payments by an Employee at the Langdon Education Campus (LEC)

The OIG received a complaint alleging that an employee at the LEC authorized payments to three other employees in the amount of \$1,390 per semester for work programs that did not exist. Specifically, the complaint alleged that the three employees received payments for organizing and managing the LEC student government; organizing, editing, and printing the LEC school newspaper; and for conducting oversight of the LEC peer mediation team. The complaint further alleged the LEC never had any of these programs. DCPS investigated the allegations and found that no improprieties occurred with the three LEC employees.

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D.C. Department of Corrections (DOC) Inmate's Cell Phone Was Not Returned When Transferred from Federal Custody to D.C. Custody

The OIG received a complaint from a former inmate who alleged that upon being transferred from the United States Marshals Service to DOC for a court appearance, the inmate received a receipt for checking in a wallet and iPhone. When the inmate went to retrieve the property upon release, the wallet was returned; however, the iPhone was missing. The DOC investigation confirmed that the inmate did check in a cell phone, but upon being released it was missing. As a result, the DOC reimbursed the former inmate \$100 for the cell phone.

D.C. Citizen Claims They Were Not Allowed to Refute Two Parking Citations

The OIG received a complaint from a D.C. citizen alleging that a DMV Hearing Examiner did not allow the citizen to present any evidence to refute two parking citations. The citizen claimed that during the adjudication hearing he/she was unable to present any evidence to prove that both parking meters were broken, a note was left on the dashboard of the vehicle stating that the meters were broken, that he/she did not stay beyond the posted parking limits, and, therefore, the citations were wrongfully issued. DMV conducted an investigation and found that based on guidance from the District Department of Transportation (DDOT), which regulates parking and parking meter functions, the parking meters were operable. Therefore, the citizen was liable for the two parking citations.

University of the District of Columbia (UDC) Student Employee Not Receiving Pay

The OIG received a complaint alleging that a UDC student employee had not been paid for working as a lifeguard for 2½ months, nor for the work he/she performed from October 2012-November 2012 as part of a work-study program. The UDC investigation revealed that the student did not complete the Free Application for Federal Student Aid paperwork in order to be considered for Federal Work Study (FWS) program. The investigation also revealed that the student was not enrolled for the 2012 fall semester, and therefore was not eligible for FWS. UDC discovered that the student worked as a lifeguard, and a change in the process by which athletics' department employees are hired led to the delay in paying the student. UDC reviewed its processes and procedures and made corrections, thus resulting in the student being paid for work they completed. Additionally, UDC found that other individuals were not paid for work performed and they were paid as well.

Former UDC Employee Continued to Have Access to UDC Email Account and Other District Information Technology (IT) Systems

The OIG received a complaint alleging that a former UDC employee, who was terminated in March 2013, still had access to the UDC email account and other District IT systems. The UDC investigation revealed that the former employee worked for the Office of the Chief

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Financial Officer (OCFO) and served as the Controller for UDC. The investigation also revealed that the OCFO separated the employee from service without conferring with or advising UDC. The investigation revealed that OCFO notified UDC's Office of Information Technology Technical Support Unit (UDC IT) on March 14, 2013, via email, requesting that the employee's access to UDC's IT system be terminated. However, because the email exchange occurred between two lower-level employees at OCFO and UDC, it was insufficient to constitute notice of the employee's termination. UDC and the OCFO corrected this issue by ensuring that a coordinated effort of communicate was conducted to remove the employee from all University systems.

D.C. Resident Alleges Tax Assessment Changed Erroneously From Residential to Commercial

The OIG received a complaint from a D.C. resident alleging that the tax assessment of the resident's property, a vacant lot, was erroneously changed from residential to commercial in 2009. The complaint also alleged that the change quadrupled the tax rate, resulting in taxes that the resident could not pay. Consequently, the property went to tax sale for failure to pay all back taxes due in 2009. The Office of Tax and Revenue (OTR) investigated the allegation and found that the higher tax rate was caused not by the commercial classification in 2009, but the change in the D.C. Code placing a much higher burden on vacant properties. OTR corrected the classification from commercial to residential for tax years 2010 and 2011. OTR stated that for tax years 2009 and prior, the property was properly classified as commercial. Currently, OTR is still investigating this matter to correct its process of determining whether the D.C. resident is due any compensation for the property loss, and whether the D.C. resident was properly notified of the tax changes.

Alleged Abuse of Government Placard

The OIG received a complaint alleging that on two separate occasions in late November/early December 2012, a DDOT employee used an official government placard in a privately-owned vehicle. DDOT conducted an investigation, which identified that the vehicle was part of a group of 11 that were procured by DDOT using the DPW fleet management rental contract with Enterprise Leasing. Originally, DDOT's vehicles were parked at 64 New York Avenue, N.W., where there were adequate parking spaces. However, after moving to 55 M Street, N.E., the allocated parking spaces did not accommodate the 11 rental vehicles. As a result, DDOT required the drivers of those vehicles to park near the building when working in the office. Additionally, when working in the field, DDOT drivers must display the placards to avoid parking tickets because the vehicles do not have official government tags.

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D.C. Resident Alleges Fraud and Conflict of Interest With a D.C. Taxicab Commission Inspector (DCTC)

The OIG received a complaint from a D.C. resident alleging that when the resident purchased a vehicle from a taxicab business, the business allowed the D.C. resident to use its tags until permanent tags could be obtained from the DMV, which was closed at the time. After parking the car in the 400 block of M Street, S.E., a DCTC Inspector drove up and questioned the D.C. resident about the tags. The D.C. resident explained to the Inspector how the tags were obtained but the Inspector issued the D.C. resident six citations for various violations, and advised the D.C. resident to have the individual they purchased the car from come to court to verify the resident's explanation. The DCTC investigation revealed that the business was not authorized as a taxicab business in the District due to numerous violations committed by its drivers and failure to follow DCTC regulations and procedures.

Additionally, DCTC found that the Inspector acted properly in issuing the citations. The D.C. resident adjudicated the tickets with the DMV; however, the DMV found the D.C. resident liable for the tickets, as well as other unpaid tickets.

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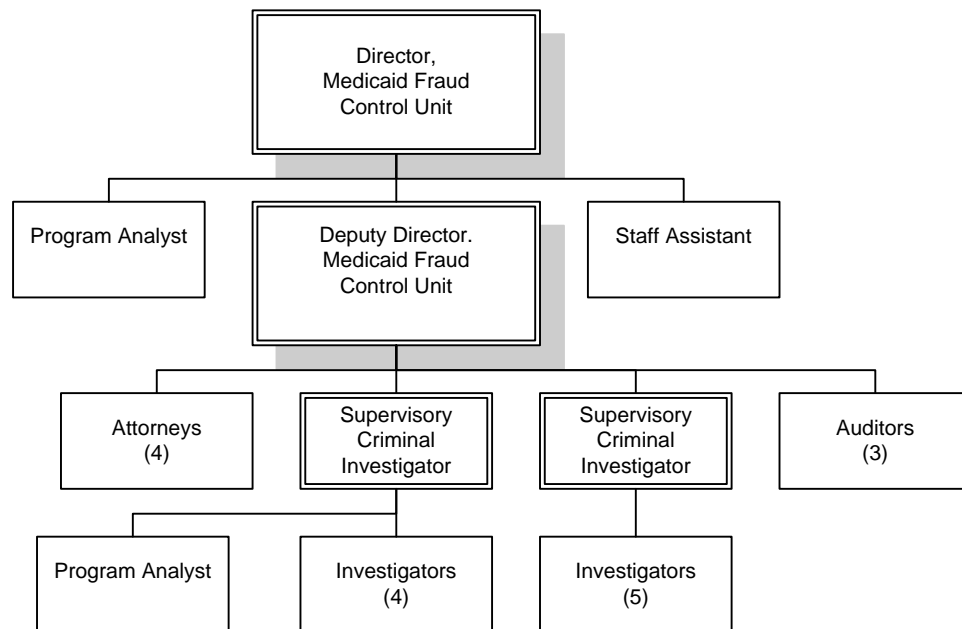


ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT

ORGANIZATION AND MISSION

The mission of the Medicaid Fraud Control Unit (MFCU) is to investigate and prosecute two distinct categories of offenses: fraud or other related impropriety committed against the D.C. Medicaid program by healthcare providers, and physical abuse or criminal neglect of persons who receive Medicaid-funded services or reside in healthcare facilities that receive Medicaid funding. These healthcare facilities include hospitals, nursing homes, and residences for adults with cognitive disabilities or mental illness. The MFCU staff is comprised of experienced attorneys, auditors, analysts, and investigators, most of whom have law enforcement or healthcare industry backgrounds.

MEDICAID FRAUD CONTROL UNIT as of September 30, 2013



MFCU cases are investigated from inception by teams consisting of a prosecuting attorney and an investigator, and, for financial fraud cases, an auditor. This interdisciplinary approach has many benefits. Although the investigator has primary responsibility for developing the case, the prosecutor guides the investigation by providing ongoing legal analysis of the facts and evidence. Working closely throughout the investigation and subsequent proceedings, the team members share ideas about how to pursue and strengthen the case, and also gain insight into the challenges faced by their team counterparts. The result is a cohesive, committed, and effective staff.

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The United States Department of Health and Human Services (HHS) certified the MFCU on March 1, 2000. It is one of 50 certified MFCUs nationwide, and receives 75 percent of its funding in the form of an annual grant from the HHS Office of the Inspector General. To maintain certification and remain eligible for this grant, the MFCU must meet a number of federal requirements set forth in the Code of Federal Regulations. Annually, the HHS Medicaid Fraud Oversight Division reviews the MFCU's policies, staffing, case management, and operations, as well as quarterly and annual statistical reports detailing the MFCU's productivity. Ultimately, MFCU must establish that it generates a significant return on the investment of federal and District dollars. This review results in recertification as a MFCU for 1 year.

RESPONSIBILITIES

Investigation and Prosecution

As noted above, the MFCU's primary responsibility is to investigate allegations of: (1) financial fraud committed against the Medicaid program by providers ranging from individual home health aides to multinational pharmaceutical companies; and (2) abuse, neglect, or financial exploitation of vulnerable adults who reside in Medicaid funded facilities, or receive services from Medicaid providers such as home health agencies or transportation companies.

The MFCU initiates investigations based on reports and referrals it receives from a number of sources. The D.C. Department on Disability Services (DDS) and other D.C. government agencies, providers, and professionals notify the MFCU of unusual incidents that come to their attention. Additional complaints and referrals come from sources such as federal agencies, the Metropolitan Police Department (MPD), other law enforcement entities, administrators of care facilities, and concerned citizens including Medicaid recipients. In total, the MFCU received more than 2,100 complaints, incident reports, and referrals in FY 2013.

Staff members, including at least one attorney, review all reports and referrals to determine whether the incident or complained of behavior at issue constitutes an offense within the MFCU's jurisdiction. If so, the report or referral is assessed by the Director, who assigns an interdisciplinary team to investigate the matter. If this investigation yields sufficient evidence to move forward with legal or administrative action, MFCU attorneys work with attorneys in the U.S. Attorney's Office for the District of Columbia (USAO) or the D.C. Office of the Attorney General (OAG) to determine whether to pursue criminal prosecution, civil recovery, or both. If charges are filed, attorneys in the MFCU represent the OIG in D.C. Superior Court and federal District Court as Special Assistant U.S. Attorneys and Special Assistant Attorneys General, and are co-counsel with their USAO or OAG counterparts during all phases of litigation.

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Partnerships and Collaborations with District and Federal Agencies

A key aspect of the MFCU's efforts against waste, fraud, and abuse in the District's Medicaid program is its continuing partnership with other District and federal agencies, particularly the Department of Health Care Finance (DHCF). DHCF, which administers the Medicaid program in the District, is required by federal law to refer cases of suspected fraud or abuse to the MFCU.¹ Beginning in 2009, representatives from the OIG and DHCF have met quarterly to discuss pending cases, referrals, and their respective policies and procedures.

MFCU builds relationships with other law enforcement agencies by organizing relevant trainings, participating in task forces, and presenting at conferences. The MFCU Director serves on the Health Care Fraud Managers Working Group, which works to develop law enforcement strategies to combat healthcare fraud by D.C. service providers.

The MFCU also collaborates with local and federal law enforcement agencies. The MFCU is working on a number of ongoing investigations with the Federal Bureau of Investigation (FBI), HHS, and other federal agencies. Since January 2012, a MFCU prosecutor has been detailed to the United States Attorney's Office, thereby improving the MFCU's ability to prosecute Medicaid provider fraud cases. By working with these agencies, MFCU increases its visibility while enlarging the resources available to its investigators, auditors, and attorneys.

Community Outreach, Education and Training

An educated public is the first line of defense against Medicaid fraud and mistreatment of vulnerable persons. The MFCU attempts to raise public awareness of these issues in a number of ways, from speaking directly to at-risk populations and healthcare providers, to sharing its expertise in public forums. During the past year, the Director and other MFCU attorneys made presentations to numerous audiences about spotting and preventing fraud, abuse, and neglect. The MFCU Director, who is both a registered nurse and an attorney, gave presentations before the Quality Trust and the DC Long Term Care Ombudsman on the topic of "Abuse Indicators"; to the Department of Health Ombudsman staff on Medicaid Fraud; and at a National Association of Medicaid Fraud Control Units (NAMFCU) resident abuse training conference on "The Legal Process" and "Documentation." MFCU attorneys spoke at local senior centers, advising attendees about their rights, how to avoid becoming a victim, and how to report abuse. MFCU attorneys also made presentations to visiting law enforcement delegates from Peru and China.

During FY 2013, a MFCU attorney served as a guest lecturer at the Washington College of Law, Health Law and Policy Summer Institute for a class on Medicaid Fraud Enforcement.

¹ See 42 CFR § 455.15(a)(1).

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The same attorney also served as a guest lecturer at Temple University's Beasley School of Law for a session on healthcare fraud enforcement, and gave a presentation on addressing off-label marketing of drugs at a conference entitled *Fraud and Abuse in the Sale and Marketing of Drugs* sponsored by The American Conference Institute.

Other Professional Activities

In addition to their prosecutorial efforts, MFCU staff members are active in numerous professional organizations, serve on healthcare-related committees, and consistently seek opportunities for professional development.

The Director has served as a member of the Developmental Disabilities Fatality Review Committee since 2003. The Director is also on the NAMFCU Executive and Resident Abuse Committees, and several attorneys participate on NAMFCU's *Qui Tam* Subcommittee. One MFCU staff attorney served as a member of the Steering Committee for the Health Law Section of the D.C. Bar, a member of the Advisory Board for the BNA publication, the *Health Care Fraud Report*, and as the Chair of the Business Law and Governance Practice Group of the American Health Lawyers Association. Another MFCU staff attorney served as a member of the National Health Care Anti-Fraud Association (NHCAA) Prescription Drug Fraud Interest Group. The Deputy Director is an active participant in the Digital DA listserv, staying on top of cutting-edge issues related to the prosecution of computer-related crimes, as well as an active member of a renowned listserv organized by retired detective Kipp Loving that is dedicated to cell phone forensic issues. The Deputy Director also is a member of several law enforcement forums on LinkedIn, including iOs Forensics, Financial Crimes Prosecutions, Computer Forensics Now, and Everything AML (Anti-Money Laundering).

In FY 2013, MFCU staff offered various training presentations to their colleagues in areas of interest to all. Presentations included Supreme Court updates, Elder & Dependent Adult Sex Crimes, Communities Against Fraud, Managed Care, Undue Influence & Common Elder Scams, Criminal Neglect, Monitoring Devices and the Fourth Amendment, Criminal Discovery Overview, and JustWare updates. In addition, the MFCU offered training to other OIG personnel and colleagues from the FBI, HHS, and DHCF on topics such as Medicaid Fraud, MFCU-related statutes, and Criminal Discovery Overview.

During FY 2013, every member of the MFCU staff attended training conferences related to their particular profession or the mission of the MFCU. Conferences included the NAMFCU Annual Conference, Resident Abuse training, and Medicaid Fraud 101 and 102; the California District Attorney's Association Elder Abuse Training Program; Financial Investigations Practical Skills by the National White Collar Crime Center (NW3C), the NHCAA Health Care Fraud Investigator's Boot Camp; the Certified Inspector General Investigator and Certified Inspector General Auditor courses offered by the Association of Inspectors General; courses offered at the FBI Academy in Quantico, Virginia; and trial

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advocacy courses offered by the D.C. Bar Association. MFCU staff also expanded their knowledge by attending several webinars and in-office lectures by external experts on relevant subjects, including Dental Billing and Coding by DHCF; Facebook and Online Media by NW3C; Pharmacy Claims, Analyzing the Data, Coding Clinic, Preparing To Testify, Advanced Analytics Methods for Preventing and Detecting Fraud, Going Beyond Traditional Predictive Analytics, and Pharmacy Claims Coding Clinic Modifiers by NHCAA; Ethical Considerations for Prosecutors in Sexual Violence Cases by iLinc; Transparent Predictive Coding & eDiscovery Lab by Symantec; and False Claims Act & *Qui Tam* Provisions by the American Bar Association.

These memberships and trainings increase both the MFCU staff's expertise and the MFCU's standing within the law enforcement and fraud-fighting communities. Additionally, these activities improve the MFCU staff's job performance and satisfaction by allowing them to share strategies with colleagues who are engaged in similar anti-fraud activities, while learning of schemes that are being perpetrated around the country.

FRAUD

The MFCU investigates individuals and companies alleged to have defrauded the D.C. Medicaid program. Cases arise in one of two ways: some begin as a referral to the MFCU by an agency or concerned citizen, while others reach the MFCU as a *qui tam* lawsuit filed pursuant to the D.C. False Claims Act (FCA),² or a "whistleblower" lawsuit under the federal FCA.³ The D.C. and federal FCAs both impose liability on contractors who defraud the government; the *qui tam* provisions of the FCAs allow a private citizen with knowledge of fraud to file an action on behalf of the government and share in any recovery. While the majority of fraud cases referred to the MFCU impact only D.C., most of the *qui tam* actions allege widespread fraud across many jurisdictions.

The MFCU is currently investigating more than 90 allegations of fraud against the D.C. Medicaid program. The MFCU is also participating, to varying degrees, in 367 multi-state *qui tams*. These actions concern a broad range of healthcare providers and alleged fraud schemes, from nationally known institutions accused of falsifying publicly disseminated information, to solo practitioners who submitted claims for services they may not have provided. Medical professionals and organizations involved in our cases include physicians, podiatrists, pharmacies, medical equipment suppliers, home health agencies, nursing homes, and transportation providers.

² D.C. Code §§ 2-381.01 – 2-381.10 (2001).

³ False Claims Act, 31 U.S.C. §§ 3729 - 3733.

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District of Columbia Anti-Fraud Efforts

MFCU's local fraud investigations can lead to criminal, civil, and/or administrative charges. In determining how best to proceed, the MFCU is guided by two objectives: deter future Medicaid fraud by obtaining criminal convictions; and maximize the probability of recovering those funds. Although healthcare fraud cases can take several years to progress from the initial allegation to the filing of charges, the MFCU currently has a significant number of cases, including *qui tams*, proceeding toward prosecution or other resolution within the USAO or the OAG.

Criminal Prosecutions

United States v. Bautista-Vitale

The defendant was the bookkeeper for Alpha Drugs Pharmacy, LLC, a provider that received payments from federal healthcare programs (including Medicare) and the District of Columbia's Medicaid program. In November 2012, the defendant pled guilty to one count of theft from programs receiving federal funds. The defendant agreed to pay restitution of almost \$1.1 million and faces up to 10 years in federal prison plus fines of up to \$2.2 million at sentencing, scheduled for January 2014.

United States v. Odunzeh

The defendant was the sole owner of Emerald Medical Services, LLC, which sold durable medical equipment (DME), such as power wheelchairs and adult incontinence supplies. The defendant, a Nigerian national, had a visa that expired in 2004. Between January 2008 and March 2011, Emerald submitted 100 claims to the District of Columbia's Medicaid program for expensive power wheelchairs and received payment of more than \$480,000 for those claims. However, the wheelchairs that Emerald actually delivered to those Medicaid beneficiaries were far less sophisticated than the \$6,157 model submitted in its claims to the District's Medicaid program. During this same time period, Emerald also submitted numerous claims to the District's Medicaid program and received payment for DME items that it never delivered to Medicaid recipients, including adult incontinence supplies worth nearly \$45,000.

In October 2012, the defendant pled guilty in the U.S. District Court for the District of Columbia to one count of conspiracy to commit health care fraud. In January 2013, he was sentenced to serve 19 months in federal prison, followed by 3 years of probationary supervision if he is not deported for his immigration violations. The Court ordered the defendant to pay more than \$277,000 in restitution to the District's Medicaid program, and also imposed a fine of \$100.00.

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United States v. Emor

In FY 2012, we reported on the above matter in which the resolution of this criminal fraud matter resulted in an order of restitution to the District government in an amount exceeding \$2.3 million.

As previously reported in the FY 2012 Annual Report, the defendant founded a private school, SunRise, for special needs students in the District of Columbia, and ran the school for 10 years. The government proved that the defendant caused the submission of claims to Medicaid for therapy services allegedly provided to special education students who were hospitalized, incarcerated, truant, or otherwise unable to receive services on the date and time the services were billed. The defendant pled guilty in August 2011 to a single count of wire fraud. The defendant was sentenced to 18 months of incarceration, followed by 3 years of supervised release. In March 2012, the judge ordered the defendant to pay restitution in the amount of \$2,358,536. The judge also awarded the government criminal forfeiture of two bank accounts worth \$2,035,307 that were linked to the defendant, as well as a luxury car. In June 2013, the Court concluded that the money and car were proceeds of the fraud scheme and issued an order of forfeiture, which is now under appeal. Upon decision by the D.C. Circuit Court of Appeals, a “restoration” process will be initiated to return the funds to the Medicaid program. The manner in which this restitution and forfeiture money will be distributed will be determined in the coming year and reported in the FY 2014 Annual Report.

United States v. Wheeler

As reported in the FY 2012 Annual Report, the chief executive officer and owner of two healthcare companies was convicted by a federal jury in the District of Columbia of 1 count of healthcare fraud and 34 counts of false statements for submitting more than \$7 million in fraudulent claims to the D.C. Medicaid program. In November 2012, the defendant was sentenced to 6 years and 3 months in prison for her crimes. The court ordered her to pay about \$3.7 million in restitution, and also ordered the forfeiture of money and property in the same amount. Upon completion of her incarceration, the defendant will be placed on 3 years of supervised release and must complete 115 hours of community service during each of those 3 years.

United States v. Rafi

As reported in the FY 2012 Annual Report, the owner and president of DC Medical Supply, Inc. (DC Medical) and his wife, the company’s managing director, each pled guilty to healthcare fraud in connection with the firm’s fraudulent billing practices. As a result of the fraud, they derived at least \$70,000 in profits. In November 2012, the defendants were each sentenced to 36 months of probation, ordered to pay restitution in the amount of \$70,000, and assessed a fine of \$100.

ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT

United States v. Newton

In March 2012, the owner of Suburban Medical Equipment & Supplies, Inc. (Suburban Medical) pled guilty to healthcare fraud in connection with the firm's fraudulent billing practices. Suburban Medical provided medical equipment and other items to Medicaid beneficiaries, including incontinence garments and supplies. In August 2013, the defendant was sentenced to 5 years of probation, with a restitution order and civil forfeiture in the amount of \$204,361.74. The judge also ordered the defendant to spend 4 months on home detention with an electronic monitoring device.

United States v. Jackson-White

In April 2013, the owner of Family Home Medical & Supplies, LLC (Family Home Medical) pled guilty to healthcare fraud in connection with the firm's fraudulent billing practices. Family Home Medical provided medical equipment and other items to Medicaid beneficiaries, including adult incontinence supplies such as diapers and bed liners. In July 2013, the defendant was sentenced to 5 years of probation, with a restitution order and civil forfeiture in the amount of \$212,893.40. The judge also ordered the defendant to perform 100 hours of community service, and imposed an assessment of \$100

Civil Settlements:

United States v. Malik

On July 30, 2013, the U.S. District Court issued an order granting partial summary judgment against a nuclear cardiologist and his two affiliated companies, finding that the defendant defrauded the District of Columbia Medicaid program by filing false claims for payment. The judge found the defendants falsely billed for myocardial perfusion studies, as well as for services not rendered and reimbursement for services at a higher rate than allowed, a practice often referred to as "up-coding." The investigation and prosecution of the civil case was a joint state, D.C., and federal law enforcement effort, and included similar allegations of false billings filed under the federal Medicare program and Maryland's Medicaid program. The total judgment award was \$1.672 million, of which \$771,271 was awarded to the District's Medicaid program under the District of Columbia's False Claims Act, including treble damages and penalties.

National Anti-Fraud Efforts

A significant component of the MFCU's national anti-fraud activities is its participation in global *qui tam* litigation. In these cases, a "relator" (person with knowledge of fraudulent activity) files the action on behalf of the government, often asserting a scheme of widespread, institutional fraud by a multinational corporation. The federal government and the states impacted by the alleged scheme investigate the claims to determine whether to "intervene" in the action, either individually or jointly. Due to their breadth and subject matter, most *qui tams* are factually and procedurally complex.

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In meeting the unique challenges of global *qui tam* litigation, the 50 independent state MFCUs work together, under the auspices of NAMFCU, to efficiently and effectively investigate, litigate, settle, or otherwise resolve these cases. MFCU attorneys participate as active members of the NAMFCU *Qui Tam* Subcommittee, which is comprised of representatives from the MFCUs of states with FCA statutes containing *qui tam* provisions. Currently, the District and 29 states have such statutes.

The responsibilities of the subcommittee members vary. During FY 2013, MFCU attorneys participated in subcommittee conference calls to discuss pending lawsuits and develop strategies for investigating and prosecuting these cases. These attorneys also attended and participated in relator interviews, and drafted “intake memoranda” on new cases. These memoranda contain analyses of the allegations of improper conduct, theories of liability, credibility of the relator, and anticipated defenses, and provide recommendations about how to proceed. The memoranda are ultimately distributed to each of the state MFCUs and the president of NAMFCU, who, if a lawsuit has merit, appoints several subcommittee members to partner with federal prosecutors on national investigation, negotiation, litigation, or settlement teams. MFCU attorneys have served on national teams since 2008.

Since FY 2011, MFCU has had an attorney to work exclusively on *qui tam* matters. That attorney expanded the MFCU’s direct involvement in global cases, including work on intake teams and providing support to the litigation team in several cases. The attorney was appointed by NAMFCU to serve on the settlement team for a global *qui tam* case against a pharmaceutical company.

Global Settlements

In FY 2013, the District recovered almost \$3.1 million for the Medicaid program from 13 global settlements.

Boehringer Ingelheim Pharmaceuticals, Inc.

The District of Columbia collaborated with other states and the federal government to reach an agreement with pharmaceutical manufacturer Boeringer Ingelheim Pharmaceuticals, Inc. (BIPI), to settle allegations the company paid kickbacks and engaged in off-label marketing campaigns improperly promoting four drugs: Atrovent, Combivent, Micardis, and Aggrenox. The settlement called for BIPI to pay the states and the federal government a total of \$95 million to resolve civil allegations that its unlawful marketing caused false claims to be submitted to government healthcare programs. The District will receive \$101,393 as part of the nearly \$34.5 million recovered for state Medicaid programs. As part of the settlement, BIPI also entered into a Corporate Integrity Agreement with HHS.

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Amgen, Inc.

The District of Columbia collaborated with other states and the federal government to reach a \$14.7 million global settlement with Amgen, Inc. (Amgen). This settlement resolved allegations that Amgen violated federal and state laws, including the Federal False Claims Act and the Federal Anti-Kickback Statute, by agreeing to provide certain institutional pharmacies additional rebates on the nephrology drug Aranesp in exchange for the pharmacies' promise to promote the drug in their "therapeutic interchange" programs implemented in nursing homes they served. The alleged purpose of the scheme was to induce medical professionals working at these nursing homes to dispense Aranesp instead of competing drugs. The settlement returned \$248,260.76 to the District Medicaid program.

Par Pharmaceutical Companies, Inc.

In April 2013, Par Pharmaceutical Companies (Par) agreed to pay the states and the federal government a total of \$22.5 million in civil damages to compensate Medicaid and various federal healthcare programs for its conduct. In March 2013, Par pled guilty in the United States District Court for the District of New Jersey to a criminal misdemeanor offense for misbranding Megace ES in violation of federal law, and was ordered to pay \$18 million in fines and \$4.5 million in criminal forfeiture. Megace ES was approved by the Food & Drug Administration (FDA) to treat anorexia, cachexia, or other significant weight loss conditions suffered by patients with AIDS. The civil settlement resolved allegations that Par unlawfully promoted the sale and use of Megace ES for uses that were not FDA-approved. The civil settlement also resolved allegations that Par deliberately and improperly targeted sales of Megace ES to elderly nursing home residents with weight loss, regardless of whether those patients suffered from AIDS, and launched a long-term care sales force to market to this population, despite its awareness of the drug's adverse side effects in elderly patients, including an increased risk of deep vein thrombosis, toxic reactions in elderly patients with impaired renal function, and death. The District's share of the civil settlement was \$59,805. As part of the settlement, Par also entered into a Corporate Integrity Agreement with HHS, which specifically prohibits the company from providing compensation to sales representatives or their managers based on sales volumes of Megace ES.

Ranbaxy Laboratories Limited

The federal government, states, and the District of Columbia reached an agreement with Ranbaxy Laboratories Limited (Ranbaxy), a generic pharmaceutical manufacturer based in India, to resolve civil allegations of poor manufacturing practices in two Indian manufacturing plants. In the national settlement, Ranbaxy paid the states and the federal government a total of \$350 million in civil damages and penalties to Medicaid, Medicare, and other federally-funded healthcare programs. The District received \$340,189 as its part of the settlement. In addition to the civil settlement, one of the company's subsidiaries (Ranbaxy USA) pled guilty to seven felony counts alleging violations of the Food, Drug, and Cosmetic Act and agreed to pay a criminal fine of \$150 million. Ranbaxy also entered into a Corporate Integrity Agreement with the federal government in January 2012 to address

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outstanding good manufacturing practices and data integrity issues in the two Indian manufacturing facilities in question, in order to correct the company's violations and ensure that the violations do not recur.

ISTA Pharmaceuticals, Inc.

The District of Columbia collaborated with other states and the federal government to settle allegations that between January 2006 and March 2011, ISTA Pharmaceuticals, Inc. (ISTA) marketed its ophthalmic drug Xibrom for uses that were not approved by the FDA, and paid inducements to doctors to write Xibrom prescriptions. ISTA paid the states and federal government a total of \$15 million in civil damages to compensate Medicaid, Medicare, and other federal healthcare programs for harm suffered as a result of its conduct, the bulk of which was sustained by the federal government because the vast majority of Xibrom prescriptions were for conditions primarily suffered by older Medicare patients, (e.g., cataracts and glaucoma). On May 24, 2013, ISTA also pled guilty in federal court to conspiracy to introduce a misbranded drug into interstate commerce, and conspiracy to pay illegal remuneration in violation of the Federal Anti-Kickback Statute, paying an additional \$18.5 million in criminal fines and forfeitures.

Wyeth Pharmaceuticals, Inc.

The federal government, states, and the District of Columbia reached an agreement with Wyeth Pharmaceuticals, Inc. (Wyeth) to resolve allegations that the company promoted the sale and use of Rapamune for uses that were not approved by the FDA. Rapamune is FDA-approved for kidney transplant patients. Rapamune is prescribed to prevent the body from rejecting a donor kidney that has been transplanted into the body. Wyeth allegedly promoted the sale and use of the drug in patients who received solid organ transplants other than kidney transplants, and in treatment regimens for transplant patients who used another immunosuppressant drug before using Rapamune and who did not receive Rapamune at or around the time of a kidney transplant. Wyeth agreed to pay the states and federal government \$257.4 million in civil damages and penalties to resolve these civil allegations, including a payment of more than \$60 million to state Medicaid programs. The District received \$133,227 in the settlement. Additionally, Wyeth pled guilty in federal court in Oklahoma to violations of the Food, Drug, and Cosmetic Act and agreed to pay criminal fines and forfeitures totaling \$233.6 million.

Amgen, Inc.

In September 2013, the District of Columbia collaborated with other states to reach a second global settlement with Amgen, Inc. (Amgen). This nearly \$11 million settlement resolved allegations that Amgen violated certain state false claims acts by reporting inflated pricing data for its prescription drugs Aranesp, Enbrel, Epogen, Neulasta, Neupogren, and Sensipar. The drug pricing data at issue in this settlement concern the "Average Wholesale Price" (AWP) and "Wholesale Acquisition Cost" (WAC) benchmarks used by most states' Medicaid programs, including the District's, to set pharmacy reimbursement rates for

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pharmaceuticals dispensed to state Medicaid beneficiaries. The District and 35 other states alleged that Amgen reported inflated AWP and WAC pricing data to First Data Bank and other drug pricing compendia, thereby creating an artificially inflated spread between the price for which Medicaid providers dispensed the named drugs to beneficiaries and the price at which the states reimbursed providers for those drugs. The states further alleged that after creating the inflated spread, Amgen marketed that spread to Medicaid providers in order to boost Amgen's sales of the named drugs. The District's recovery pursuant to this national, multistate settlement is \$254,290.

Amgen, Inc.

In September 2013, the District of Columbia collaborated with other states and the federal government to reach a third global settlement with Amgen in the amount of \$612 million. This settlement resolved allegations that Amgen engaged in various illegal marketing practices to promote sales of the drugs Aranesp, Enbrel, Epogen, Neulasta, Neupogen, and Sensipar, and inaccurately reported and manipulated prices for these drugs, causing the submission of false claims. In addition, Amgen agreed to plead guilty in federal court to the criminal charge of introducing into interstate commerce a drug (Aranesp) that was misbranded within the meaning of 21 U.S.C. § 352(a), in violation of the Food, Drug, and Cosmetic Act. As a condition of the settlement, Amgen will enter into a Corporate Integrity Agreement with the HHS-OIG, which will closely monitor the company's future marketing and sales practices. The District's Medicaid program will receive payment of \$739,226 in restitution and other recovery as its share of this settlement.

Sanofi US

In August 2013, the District of Columbia joined with other states to settle allegations that Sanofi US (Sanofi) paid kickbacks to physicians to purchase and prescribe its product, Hyalgan, in violation of the Federal Anti-Kickback Statute and various state anti-kickback statutes. Sanofi allegedly offered and provided "free" Hyalgan units with knowledge that physicians could obtain reimbursement from D.C.'s Medicaid program, and/or that the units were not in fact "free" because they were offered only in exchange for purchasing additional quantities of Hyalgan. Sanofi agreed to pay participating state Medicaid programs a total of approximately \$617,000 to resolve these allegations, which arose from a whistleblower lawsuit filed in the United States District Court for the District of Massachusetts.

ABUSE AND NEGLECT

Equally important as its anti-fraud efforts, the MFCU investigates and prosecutes cases of abuse and neglect in hospitals, nursing homes, residences for adults with intellectual or developmental disabilities or mental illness, and other Medicaid-funded facilities and programs.

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The District of Columbia's Criminal Abuse and Neglect of Vulnerable Adults Act of 2000 was enacted to criminalize abuse or neglect of adults whose physical or mental condition "substantially impairs the person from adequately providing for his or her own care or protection."⁴ The law prohibits intentional abuse by assault or threats of assault, verbal harassment, or involuntary confinement. Neglect includes the failure to provide the appropriate care necessary to maintain the physical and mental health of a vulnerable adult, as well as substandard medical care, poor nutrition or sanitation, or failure to properly supervise living conditions.

The MFCU is responsible for prosecuting these cases when the abuse or neglect is committed in an institution receiving Medicaid funding, or by a provider of Medicaid services such as a home health aide. In addition to criminal penalties, anyone convicted of abuse or neglect of a vulnerable adult can be excluded nationwide from working in any program, institution, or entity that receives federal healthcare funds, including Medicare and Medicaid. The MFCU always seeks this exclusion after a defendant is convicted.

Cases involving vulnerable adults are difficult to prosecute, primarily because the disabilities that make these victims vulnerable may also impede their ability to report the crime, assist in the MFCU's investigation, and testify at trial. Additionally, these vulnerable adults are uniquely dependent on their abusers, and therefore may be afraid to report or cooperate with the prosecution for fear of reprisal; in some cases, despite the abuse, the victim values his or her relationship with the abuser. Other challenges include the often voluminous medical records and documents, and the fact that any witnesses to the crime are often other vulnerable adults or colleagues of the abuser.

It is precisely these challenges that make the MFCU's work so important. By zealously investigating and prosecuting these crimes, the MFCU sends a strong message to professionals throughout the healthcare industry that due care must be taken to protect the safety and welfare of their vulnerable charges and that abuse will not be tolerated.

In FY 2013, the MFCU prosecuted two cases involving crimes against vulnerable persons, which resulted in convictions. The D.C. Court of Appeals reversed the conviction of one defendant prosecuted by the MFCU in FY 2011.

Abuse and Neglect

United States v. Shuler

The defendant was the caregiver for two women with developmental disabilities. In May 2011, she left them unattended in a vehicle for several hours without food, liquids,

⁴ D.C. Code §§ 22-931 – 22-936 (Supp. 2001).

ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT

medication, or access to a bathroom. One of the women was unable to take her anti-seizure medication during this time and experienced a seizure the next day that required hospital care. The defendant subsequently pled guilty to criminal neglect of a vulnerable adult in the Superior Court of the District of Columbia. The judge sentenced the defendant to 360 days in jail but suspended the time provided she successfully completes 1 year of probation. The judge also ordered the defendant to perform 30 hours of community service, participate in drug testing and treatment if appropriate, stay away from vulnerable adults, and further ordered her to pay \$100 toward the Victims of Violent Crime Compensation Act fund.

United States v. Folefac

The defendant was employed by Capitol Hill Supportive Services to provide services for a 48-year-old man with significant cognitive and developmental disabilities. The defendant attempted to stop the man from tearing magazines, and the man reacted by flailing his arms toward the defendant, causing the defendant to back away. A witness testified that the defendant subsequently assumed a “fight-like” stance and punched the man in the face, despite witnesses’ verbal warnings to refrain from taking such action. The Superior Court judge sentenced the defendant to 180 days in jail, suspended, and 12 months of supervised probation. The judge also ordered him to pay \$100 toward the Victims of Violent Crime Compensation Act fund.

United States v. Tarpeh

In February 2011, the defendant was found guilty of the criminal neglect of a vulnerable adult after a bench trial, and the judge sentenced her to 180 days in prison, with all but 21 days suspended, and 1 year of supervised probation. Additionally, the court ordered the defendant not to work with vulnerable adults, to perform 100 hours of community service, and to pay \$100 to the Victims of Violent Crime Compensation Act fund. The defendant appealed her conviction to the D.C. Court of Appeals, and in a 2-1 split decision issued in March 2013, the appellate court reversed the conviction. The defendant was a caregiver assigned to take a patient from a nursing home to an appointment at a hospital. The defendant and the patient were dropped off at the wrong facility, and the defendant pushed the patient several hundred feet in her wheelchair while her foot dragged across the pavement resulting in serious injury.

The D.C. Criminal Abuse and Neglect of Vulnerable Adults Act criminalizes behavior where a caregiver “knowingly, willfully or through a wanton, reckless or willful indifference fails to discharge a duty to provide care and services necessary to maintain the physical and mental health of a vulnerable adult, including but not limited to providing adequate food, clothing, medicine, shelter, supervision and medical services, that a reasonable person would deem essential for the well-being of the vulnerable adult” The appellate court stated that because the defendant was caring for a patient she did not know, who was heavy and partially paralyzed, using a wheelchair without proper footrests, in a location with which she was not familiar, alone without assistance, she did the best she could under the

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circumstances. Further, because there was no evidence that the defendant did not show lack of remorse or concern about causing the patient's injury, that she callously turned down offers of assistance, that there was a superior alternative to her actions that she was aware of but chose not to pursue, or that past conduct demonstrated a lack of caring, the government's evidence was not sufficient to find defendant guilty of neglect. The appellate court in *Tarpeh* interpreted the "reckless indifference" portion of this statute as requiring prosecutors to introduce evidence that "must show not only that the actor did not care about the consequences of his or her action, but also that the actor was consciously aware of the risks involved in light of known alternative courses of action." The dissenting judge agreed with the prosecution and the trial judge, and voted to uphold the conviction, concluding that the defendant's actions were both reckless and violated the statute's standard of wanton, reckless or willful indifference.

Financial Exploitation

The MFCU also investigates and prosecutes cases involving financial exploitation of Medicaid recipients and individuals residing in Medicaid-funded facilities, including theft of patient funds from residents' rooms, spending accounts, or bank accounts. It is often difficult to identify the perpetrator of these crimes, primarily because numerous caregivers have access to resident funds for legitimate reasons. Additionally, many cognitively disabled adults do not realize that they are being victimized, so the exploitation is not discovered until the D.C. Department of Health conducts its annual relicensing survey of the facility.

In FY 2013, the MFCU prosecuted one matter involving financial exploitation against a vulnerable person, which resulted in a judgment of acquittal.

United States v. Marsh

The defendant was employed as a nursing assistant at the former Rock Creek Manor nursing home. She was accused of stealing money from an elderly resident's nightstand after a co-worker claimed to have discovered her in the resident's room with a screwdriver at a time when the defendant was scheduled to be working on an entirely different floor. After a bench trial in June 2012, the Superior Court judge found the co-worker's testimony to be unreliable and the defendant was acquitted of the charge.

STATISTICAL SUMMARY

Throughout the year, the MFCU receives a steady stream of reports describing suspicious occurrences at hospitals, nursing homes, community residence facilities, day treatment programs, and group homes for persons with cognitive disabilities or mental illness. Many of these reports reflect medical conditions or accidents that have no connection to abuse or neglect; however, some contain serious allegations requiring an immediate response.

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In FY 2013, the MFCU received 1,965 unusual incident reports ranging from reports of changes in condition of residents of nursing homes, to allegations of serious assaults. In addition, the MFCU received 61 reports, complaints, or referrals regarding fraud, abuse, neglect, or theft.

The MFCU performance-based budget goal was to resolve 24 cases in FY 2013. The MFCU resolved 21 matters, including one that resulted in a jury verdict convicting a healthcare provider of 35 separate felony offenses. The MFCU is currently investigating 208 matters (exclusive of the 367 *qui tam* matters previously mentioned), 92 of which are fraud, 95 relate to allegations of abuse or neglect, and 21 involve allegations of theft of funds or property. Of the investigations the MFCU initiated in FY 2013, 66 involved allegations of provider fraud, 71 were the result of reports of abuse or neglect, and 19 were funds-related. In FY 2013, the MFCU recouped or had restitution ordered for a total of \$7,801,482.62 in civil and criminal fraud settlements, thereby generating \$9.58 for every District dollar of funding.

The MFCU's performance measures for 2013 are shown in Appendix Q. A comparison of the MFCU's FY 2012 and FY 2013 performance statistics is detailed in Appendix R.

CONCLUSION

In FY 2013, the MFCU processed 2,116 incoming unusual incident reports, complaints, or referrals, initiated 156 investigations, and closed 116 matters. Through trial or settlement, the MFCU attained 9 substantive dispositions of outstanding fraud, abuse, neglect, and sexual assault cases, including a case where the defendant was sentenced in connection with 35 separate felony offenses. The MFCU also recovered substantial monies in restitution to the Medicaid program through participation in 13 civil resolutions. In addition, the MFCU continued to engage in education and activism through its membership on task forces, local and national-level presentations, and participation in other training opportunities. In FY 2014, the MFCU will continue to investigate and prosecute cases of fraud, abuse, and neglect on behalf of the OIG and the citizens of the District of Columbia.

APPENDICES



**FISCAL YEAR 2013 TESTIMONY
BY THE INSPECTOR GENERAL**

Listed below are the topics and dates of OIG testimony presented before the D.C. Council and other official statements and remarks made during FY 2013.

- September 18, 2013 Statement Concerning Proposed Legislation, the “Universal Code of Conduct and BEGA Amendment Act of 2013”
- April 30, 2013 Response to the April 17, 2013, Letter of Inquiry from Councilmember Kenyan McDuffie
- April 22, 2013 Testimony Before the Committee on Government Operations – Fiscal Year 2014 Budget Review
- April 18, 2013 Testimony Before the Committee on Education – Public Hearing on Bill 20-109, The Testing Integrity Act of 2013
- February 21, 2013 Testimony Before the Committee on Government Operations – Fiscal Year 2012 Performance Oversight Hearing
- February 6, 2013 Testimony Before the Committee of the Whole – Issuance of the Comprehensive Annual Financial Report for Fiscal Year 2012
- January 18, 2013 Response to the January 7, 2013, Letter of Inquiry from Councilmember Kenyan McDuffie
- October 18, 2012 Testimony Before the Committee on Small and Local Business Development – Public Oversight Roundtable on Compliance Performance of District Agencies and Public-Private Projects in the Utilization of Certified Small Business Enterprises and Certified Business Enterprises



FISCAL YEAR 2013 PRESS HIGHLIGHTS

Listed below is a sampling of the media highlights published in local news publications covering work conducted by the Office of the Inspector General.

“D.C. Inspector General: Health Care Finance Official Interfered In Contract”
September 26, 2013 (WBJ)

“SANOFI US Pays More Than \$615,000 To Resolve Medicaid Kickback Allegations”
September 25, 2013 (OIG Press Release)

“Amgen, Inc. To Pay \$612 Million In Settlement”
September 25, 2013 (OIG Press Release)

“Drug Manufacturer Amgen Agrees To Pay Medicaid Program Nearly \$11 Million To
Resolve False Claim Pricing Case”
September 25, 2013 (OIG Press Release)

“D.C. Fire/EMS Instructors Did Not Harass Cadets, Report Says”
September 24, 2013 (WJLA)

“Fourteen Area People Charged With First-Degree Felony Fraud For Stealing
Unemployment Benefits”
September 5, 2013 (DOJ Press Release)

“Deep Management Troubles Overshadow D.C. Fire Department Efforts To Roll Out Good
News”
August 26, 2013 (WP)

“Wyeth Pays \$491 Million To Resolve Allegations Of Off-Label Marketing Of Rapamune”
August 22, 2013 (OIG Press Release)

“District Court Enters Monetary Judgment of \$771,271 In Favor Of the District of Columbia
Against Nuclear Cardiologist For Medicaid Fraud”
August 20, 2013 (OIG Press Release)

References: *The Washington Post* – **WP** · *The Washington Times* – **WT** · *The Washington Examiner* – **Examiner** · United States Department of Justice – **DOJ** · *The Washington Business Journal* – **WBJ** · ABC7/WJLA Allbritton Communications Company – **WJLA** · *The Washington City Paper* – **WCP** · WUSA9/Gannett – **WUSA9** · Frontline WGBH Educational Foundation – **Frontline** · WTOP and Bonneville International Corporation – **WTOP**

FISCAL YEAR 2013 PRESS HIGHLIGHTS

““Former United Medical Center Employee Pleads Guilty To Embezzling Over \$335,000 In Overtime Pay”

August 20, 2013 (DOJ Press Release)

“ISTA Pharmaceuticals, Inc. Pays \$15 Million In Settlement Of Off-Label Marketing Claims”

July 31, 2013 (OIG Press Release)

“D.C. Blows Drug Testing Deadline”

June 28, 2013 (WCP)

“More D.C. Employees Face Discipline For Parking Abuse”

June 13, 2013 (Examiner)

“Ranbaxy Pays \$500 Million To Resolve Adulterated Drugs Claims”

May 28, 2013 (OIG Press Release)

“D.C. Tax Office Whiffed On \$6.5M In Penalties”

May 20, 2013 (WT)

“Par Pharmaceuticals To Pay \$22.5 Million In Settlement”

April 29, 2013 (OIG Press Release)

“Drug Manufacturer Amgen Agrees To Pay Medicaid Program Over \$14.7 Million To Resolve Illegal Kickback Case”

April 29, 2013 (OIG Press Release)

“D.C. Rolls Out New Security Measures For Standardized Tests”

April 18, 2013 (Examiner)

“D.C. Fire Chief Ellerbe Defends Readiness of Fleet”

April 5, 2013 (Fox 5)

References: *The Washington Post* – **WP** · *The Washington Times* – **WT** · *The Washington Examiner* – **Examiner** · United States Department of Justice – **DOJ** · *The Washington Business Journal* – **WBJ** · ABC7/WJLA Allbritton Communications Company – **WJLA** · *The Washington City Paper* – **WCP** · WUSA9/Gannett – **WUSA9** · Frontline WGBH Educational Foundation – **Frontline** · WTOP and Bonneville International Corporation – **WTOP**

FISCAL YEAR 2013 PRESS HIGHLIGHTS

“In D.C., A Public Housing Waiting List With No End”
April 5, 2013 (WP)

“D.C. Public Housing Waiting List To Close; No New Applicants After April 12”
April 4, 2013 (WP)

“IG Asked To Investigate DC Principal’s Effort To Hire His Wife”
March 12, 2013 (Examiner)

“D.C. Councilman Wants Probe Into Fire/EMS Overtime Spending”
March 12, 2013 (Examiner)

“D.C. Nails 9 More Natwar Gandhi Employees In Parking Scheme”
February 25, 2013 (Examiner)

“Former Caregiver Is Sentenced For Abuse”
February 12, 2013 (DOJ Press Release)

“Auditor Finds D.C. Contracting Problems”
February 6, 2013 (Examiner)

“Maryland Man Sentenced To 19 Months In Prison For Medicaid Fraud Involving Power
Wheelchairs And Incontinence Supplies”
January 16, 2013 (DOJ Press Release)

“Dept. Of Education: We Interviewed Former Principal”
January 10, 2013 (WCP)

“Education Department Finds No Evidence Of Widespread Cheating On D.C. Exams”
January 8, 2013 (Frontline)

References: *The Washington Post* – **WP** · *The Washington Times* – **WT** · *The Washington Examiner* – **Examiner** · United States Department of Justice – **DOJ** · *The Washington Business Journal* – **WBJ** · ABC7/WJLA Allbritton Communications Company – **WJLA** · *The Washington City Paper* – **WCP** · WUSA9/Gannett – **WUSA9** · Frontline WGBH Educational Foundation – **Frontline** · WTOP and Bonneville International Corporation – **WTOP**

FISCAL YEAR 2013 PRESS HIGHLIGHTS

“D.C. Schools Chancellor Kaya Henderson Disputes Cheating Allegations”
January 8, 2013 (WP)

“Federal Complaint Details Cheating Allegations At D.C. Public Schools”
January 7, 2013 (WP)

“Frontline’ Raises Questions About Test-Score Tampering Under Rhee”
January 4, 2013 (WP)

“Former Caregiver Pleads Guilty to Neglect Charges”
November 30, 2012 (DOJ Press Release)

“2 D.C. City Workers Found To Be Misusing Disabled Parking Permits”
November 30, 2012 (Examiner)

“The Ticket-fixing D.C. Council Member Was Harry Thomas, Jr.”
November 27, 2012 (WP)

“Ex-D.C. Councilman Had Most of His Traffic Tickets Dropped”
November 23, 2012 (Examiner)

“Report: Former D.C. Councilmember Got Tickets Voided”
November 22, 2012 (WTOP)

“Report: Former D.C. Councilmember Tried to Get Out of Traffic, Parking Tickets”
November 22, 2012 (WUSA9)

“Audit Cites Ex-D.C. Council Member In Ticket-Fixing Scheme”
November 21, 2012 (WT)

References: *The Washington Post* – **WP** · *The Washington Times* – **WT** · *The Washington Examiner* – **Examiner** · United States Department of Justice – **DOJ** · *The Washington Business Journal* – **WBJ** · ABC7/WJLA Allbritton Communications Company – **WJLA** · *The Washington City Paper* – **WCP** · WUSA9/Gannett – **WUSA9** · Frontline WGBH Educational Foundation – **Frontline** · WTOP and Bonneville International Corporation – **WTOP**

FISCAL YEAR 2013 PRESS HIGHLIGHTS

“Gray, Council AWOL on D.C. Truancy”
October 21, 2012 (WT)

“McKesson Agrees To Pay States Over \$151 Million To Resolve False Claim Pricing Case”
October 18, 2012 (OIG Press Release)

“Maryland Man Pleads Guilty To Medicaid Fraud Involving Power Wheelchairs and
Incontinence Supplies”
October 11, 2012 (DOJ Press Release)

“D.C. Auditors Want Plug Pulled On City’s Contract With Optimal Solutions And
Technologies”
October 3, 2012 (WBJ)

References: *The Washington Post* – **WP** · *The Washington Times* – **WT** · *The Washington Examiner* – **Examiner** · United States Department of Justice – **DOJ** · *The Washington Business Journal* – **WBJ** · ABC7/WJLA Allbritton Communications Company – **WJLA** · *The Washington City Paper* – **WCP** · WUSA9/Gannett – **WUSA9** · Frontline WGBH Educational Foundation – **Frontline** · WTOP and Bonneville International Corporation – **WTOP**



FISCAL YEAR 2013 FOIA REPORTING

Performance Statistics	FY 2013
Number of FOIA requests received during reporting period	68
Number of FOIA requests processed within 15 days	47
Median number of days to process FOIA requests	13
Number of staff hours devoted to processing FOIA requests	1705



AUDIT ARTICLES AND ABSTRACTS PUBLISHED IN FISCAL YEAR 2013

Slemo Warigon, *Planning the Evaluation of the IT General Controls for Government Entities*, LOCAL GOVERNMENT AUDITING QUARTERLY, Volume 26, Number 1, Fall 2012; pp. 38-42.

Slemo Warigon, *The Fieldwork Strategy for Performance Audits*, LOCAL GOVERNMENT AUDITING QUARTERLY, Volume 26, Number 2, Winter 2012; pp. 40-45.

Slemo Warigon and Betsy Bowers, *Writing Audit Reports Worth Reading*, LOCAL GOVERNMENT AUDITING QUARTERLY, Volume 26, Number 4, Summer 2013; pp. 33-36.

Abstract, “*Audit of the Management of Truancy in D.C. Public Schools (DCPS)*,” LOCAL GOVERNMENT AUDITING QUARTERLY, Volume 26, Number 2, Winter 2012; p. 53.

**FISCAL YEAR 2013 AUDIT DIVISION
PERFORMANCE MEASURE STATISTICS**

Activity	FY 2013 Target	FY 2013 Actual
Final Audit Reports Issued	28	37
District agencies provided with audit coverage/presence	25%	39%
Potential monetary benefits identified by OIG audits	\$25 Million	\$30 Million

FISCAL YEAR 2013 AUDIT COVERAGE

No	Code	Agency/Office
1	AA	Executive Office of the Mayor
2	AB	Council of the District of Columbia
3	AE	Office of the City Administrator
4	AT	Office of the Chief Financial Officer
5	CB	Office of the Attorney General
6	CF	Department of Employment Services
7	CR	Department of Consumer and Regulatory Affairs
8	DB	Department of Housing and Community Development
9	DC	D. C. Lottery and Charitable Games Control Board
10	DY	D.C. Retirement Board
11	ES	Washington Convention and Sports Authority
12	FS	Office of Administrative Hearings
13	GA	District of Columbia Public Schools
14	GG	University of the District of Columbia
15	HF	Housing Finance Agency
16	HO	Department of Health
17	HT	Department of Health Care Finance
18	HW	Not-for-Profit Hospital Corporation
19	JA	Department of Human Services
20	KA	District Department of Transportation
21	KV	Department of Motor Vehicles
22	LA	DC Water
23	PO	Office of Contracting and Procurement
24	RK	D.C. Office of Risk Management
25	TO	Office of the Chief Technology Officer
26	TT	Tobacco Settlement Financing Corporation
27	UC	Office of Unified Communications

FISCAL YEAR 2013 AUDIT COST AND RECOMMENDATION STATISTICS

	Audit Title, Number, Date Issued	Recommendations		
		Cost ¹	Made	Status ²
1	Audit of the Office of Risk Management's System for Managing the Resolution of Audit Findings and Recommendations, OIG No. 11-1-08MA, October 24, 2012	\$6,805	7	4 – Open 3 – Closed
2	Audit of the D.C. Department of Motor Vehicles Ticket Processing Services, OIG No. 12-2-25MA, November 15, 2012	\$152,336	9	9 – Closed
3	Evaluation of the District's Management and Evaluation of Commercial Real Property Assessments, OIG No. 13-2-01AT, November 16, 2012	\$195,154	28	28 – Open
4	Audit of the Department of Health's Food Safety and Hygiene Inspection Services Division, OIG No. 09-2-34LQ, December 19, 2012	\$310,477	26	14 – Open 12 – Closed
5	Summary of District-Agency Compliance With OIG Audit Recommendations, February 2008 - September 2012, OIG No. 13-2-03MA, January 25, 2013	\$13,991	0	
6	District Department of Transportation's Highway Trust Fund Financial Statement Audit for the Fiscal Year Ended September 30, 2012, OIG No. 12-1-13KA, February 1, 2013	\$154,382	0	
7	Comprehensive Annual Financial Report of the Government of the District of Columbia for the Fiscal Year Ended September 30, 2012, OIG No. 13-1-05MA, February 4, 2013	\$1,124,840	0	
8	District of Columbia's Independent Auditors' Report on Internal Control Over Financial Reporting for the Fiscal Year Ended September 30, 2012, OIG No. 13-1-06MA, February 8, 2013			
9	University of the District of Columbia's Financial Statements and Management's Discussion and Analysis With Independent Auditors' Report Thereon for Fiscal Years Ended September 30, 2012, and 2011, OIG No. 13-1-07GG, February 22, 2013	\$442,372	0	

FISCAL YEAR 2013 AUDIT COST AND RECOMMENDATION STATISTICS

	Audit Title, Number, Date Issued	Recommendations		
		Cost ¹	Made	Status ²
10	Not-for-Profit Hospital Corporation's United Medical Center (UMC) Financial Performance for Fiscal Years Ended September 30, 2012, and 2011, OIG No. 13-1-08HW, February 22, 2013	\$351,113	0	
11	District of Columbia Annuitants' Health and Life Insurance Employer Contribution Trust Fund - Financial Statements With Independent Auditors' Report Thereon - Fiscal Years Ended September 30, 2012, and 2011, OIG No. 13-1-09MA, February 28, 2013	\$56,857	0	
12	District of Columbia Unemployment Compensation Fund - Financial Statements and Management's Discussion and Analysis (With Independent Auditors' Report Thereon) - Years Ended September 30, 2012, and 2011, OIG No. 13-1-10BH, February 28, 2013	\$34,043	0	
13	District of Columbia Lottery and Charitable Games Control Board - Financial Statements and Management's Discussion and Analysis (With Independent Auditors' Report Thereon) - Years Ended September 30, 2012, and 2011, OIG No. 13-1-11DC, February 28, 2013	\$94,323	0	
14	Report on the Construction Management at the District Department of Transportation, OIG No. 11-2-28KA(a), March 5, 2013	\$96,703	6	5 – Open 1 – Closed
15	District of Columbia Water and Sewer Authority - Financial Statements and Independent Auditors' Reports for the Fiscal Years Ended September 30, 2012, and 2011, OIG No. 13-1-14LA, March 12, 2013	\$7,330	0	
16	Audit of the District's Eligibility Determination Process for Alliance and Medicaid Participants, OIG No. 10-1-16HT, March 15, 2013	\$232,644	5	1 – Open 4 – Closed
17	District Department of Transportation - Report on Examination of the District of Columbia's Highway Trust Fund Forecast Statements for Fiscal Years 2012 -2016 With Actual Audited Figures for Fiscal Year 2012, OIG No. 12-1-13KA(a), March 15, 2013	\$16,942	0	

FISCAL YEAR 2013 AUDIT COST AND RECOMMENDATION STATISTICS

	Audit Title, Number, Date Issued	Recommendations		
		Cost ¹	Made	Status ²
18	District of Columbia College Savings Program Trust Participant and Administrative Funds - Financial Statements With Independent Auditors' Report for Fiscal Year Ended September 30, 2012, OIG No. 13-1-15AT, March 15, 2013	\$7,330	0	
19	District of Columbia Teachers' and Police Officers' and Firefighters' Retirement Fund - Financial Statements and Independent Auditors' Report for the Years Ended September 30, 2012, and 2011, OIG No. 13-1-13MA, March 21, 2013	\$10,996	0	
20	District of Columbia Teachers' and Police Officers' and Firefighters' Retirement Fund - Management Letter Report for the Year Ended September 30, 2012, OIG No. 13-1-13MA(a), March 21, 2013		1	1 – Open
21	District of Columbia Teachers' and Police Officers' and Firefighters' Retirement Fund - Report on Internal Control and Compliance Over Financial Reporting for the Year Ended September 30, 2012, OIG No. 13-1-13MA(b), March 21, 2013	Included in cost of Audit #19 above	2	2 – Open
22	District of Columbia Lottery and Charitable Games Control Board - Management Letter Report for Year Ended September 30, 2012, OIG No. 13-1-11DC(a), March 26, 2013	Included in cost of Audit #13 above	1	1 – Open
23	District of Columbia Washington Convention and Sports Authority - Financial Statements and Management's Discussion and Analysis, and Independent Auditors' Report for Fiscal Year Ended September 30, 2012, OIG No. 13-1-12ES, March 26, 2013	\$92,177	0	
24	District of Columbia Annuitants' Health and Life Insurance Employer Contribution Trust Fund - Management Letter Report - Fiscal Years Ended September 30, 2012, and 2011, OIG No. 13-1-09MA(a), April 5, 2013	Included in cost of Audit #11 above	1	1 – Open
25	District of Columbia Housing Finance Agency - Financial Statements and Independent Auditors' Report for the Years Ended September 30, 2012, and 2011, OIG No. 13-1-16HF, April 5, 2013	\$7,330	0	

FISCAL YEAR 2013 AUDIT COST AND RECOMMENDATION STATISTICS

	Audit Title, Number, Date Issued	Recommendations		
		Cost ¹	Made	Status ²
26	District of Columbia E911/E311 Special Revenue Fund Financial Statements (With Independent Auditors' Report Thereon), Fiscal Year Ended September 30, 2012, OIG No. 13-1-17UC, April 5, 2013	\$80,974	0	
27	District of Columbia Public Schools Annual Budgetary Comparison Schedule Governmental Funds and Supplemental Information for Fiscal Year Ended September 30, 2012, OIG No. 13-1-21GA, April 5, 2013	\$230,241	0	
28	District of Columbia Tobacco Settlement Financing Corporation Financial Statements and Independent Auditors' Report For Fiscal Years Ended September 30, 2012, and 2011, OIG No. 13-1-23TT, April 5, 2013	\$7,330	0	
29	District of Columbia Memorandum of Recommendations for Fiscal Year Ended September 30, 2012, OIG No. 13-1-18MA, April 9, 2013	Included in cost of CAFR	51	39 – Open 12 – Closed
30	District of Columbia Unemployment Compensation Fund Management Letter Report for Years Ended September 30, 2012, and 2011, OIG No. 13-1-10BH(a), May 3, 2013	Included in cost of Audit #12 above	12	9 – Open 3 – Closed
31	Home Purchase Assistance Program Special Revenue Fund, Financial Statements for the Fiscal Year Ended September 30, 2012, With Independent Auditors' Report Thereon, OIG No. 13-1-24DB, May 3, 2013	\$44,897	4	4 – Open
32	Application Control Review of the Office of the Chief Financial Officer's Integrated Tax System (ITS), OIG No. 11-1-11AT, May 15, 2013	\$228,908	18	9 – Open 9 – Closed
33	University of the District of Columbia Report on Internal Control Over Financial Reporting and on Compliance and Other Matters for Fiscal Year Ended September 30, 2012, OIG No. 13-1-07GG(a), May 31, 2013	Included in cost of Audit #9 above	8	8 – Open
34	University of the District of Columbia Management Letter Report for the Year Ended September 30, 2012, OIG No. 13-1-07GG(b), May 31, 2013	Included in cost of Audit #9 above	3	3 – Open

FISCAL YEAR 2013 AUDIT COST AND RECOMMENDATION STATISTICS

	Audit Title, Number, Date Issued	Recommendations		
		Cost ¹	Made	Status ²
35	Not-for-Profit Hospital Corporation/United Medical Center - Report on Internal Control and Compliance Over Financial Reporting for the Year Ended, September 30, 2012, OIG No. 13-1-08HW(a), May 31, 2013	Included in cost of Audit #10 above	3	3 – Open
36	Audit of the Contracting and Procurement Operations of the Office of the Chief Financial Officer (OCFO), OIG No. 08-1-26AT, August 30, 2013	\$138,059	9	2 – Open 7 – Closed
37	Audit of the District's Plan to Procure and Manage Information Technology Services, OIG No. 13-2-25PO, September 24, 2013	\$24,556	2	2 – Open
	Totals	\$4,163,110	196	Closed – 60 Open – 136

¹ Costs were calculated as the number of hours charged per audit multiplied by the Audit Division's hourly composite rate.

² This column provides the status of a recommendation as of September 30, 2012. For final reports, “**Open**” means management and the OIG are in agreement on the action to be taken, but action is not complete. “**Closed**” means management has advised that the action necessary to correct the condition is complete. If a completion date was not provided, the date of management's response is used.

FISCAL YEAR 2013 AUDIT REPORT SUMMARIES

Audit of the Office of Risk Management's System for Managing the Resolution of Audit Findings and Recommendations, OIG No. 11-1-08MA, October 24, 2012

Our audit disclosed that the Office of Risk Management (ORM) did not implement a tracking system to adequately fulfill its statutory responsibilities for managing the resolution of all audit findings and recommendations presented to District agencies. The audit also disclosed that ORM did not fully implement audit recommendations set forth in our previous audit report, *Audit of District Agencies' Implementation of Audit Recommendations* (OIG No. 08-1-03MA), issued on March 12, 2009. We directed five recommendations to ORM and two recommendations to the Council of the District of Columbia for actions necessary to correct the described deficiencies.

Audit of the D.C. Department of Motor Vehicles Ticket Processing Services, OIG No. 12-2-25MA, November 15, 2012

This audit disclosed that the District Department of Motor Vehicles (DMV) did not: (1) solicit competition for its ticket processing contract; (2) monitor and enforce contractor's compliance with the terms and conditions of the contract; (3) maintain adequate controls over its process for voiding parking or traffic tickets; and (4) coordinate with its law enforcement partners to reduce the number of citations dismissed for preventable reasons. We directed nine recommendations to DMV, three of which were also directed to the Office of Contracting and Procurement (OCP), for necessary corrective actions. Implementing these recommendations would yield \$8.7 million in cost savings, and \$4.1 million in revenue enhancements to the District government.

Evaluation of the District's Management and Evaluation of Commercial Real Property Assessments, OIG No. 13-2-01AT, November 16, 2012

The audit report disclosed concerns about inconsistent and inefficient commercial valuation practices. The report directed 28 recommendations to the Office of the Chief Financial Officer, Real Property Tax Appeals Commission; Council of the District of Columbia; and Office of the Attorney General that are necessary to correct the described deficiencies pertaining to improvements in appraisal practices and organization.

Audit of the Department of Health's Food Safety and Hygiene Inspection Services Division, OIG No. 09-2-34LQ, December 19, 2012

Our audit disclosed that the Department of Health (DOH) did not update the District Food Code to reflect the most current food safety provisions that are necessary to prevent outbreaks of new foodborne illnesses. In addition, the audit disclosed that DOH lacked regulatory powers for certain health-related establishments, and did not maintain adequate

FISCAL YEAR 2013 AUDIT REPORT SUMMARIES

controls over routine food inspection processes, storage of inspection reports, and collection of both business license fees and civil fines. We directed 22 recommendations to DOH for actions necessary to correct identified deficiencies. Implementing these recommendations would yield \$260,000 in revenue enhancements to the District government.

Summary of District-Agency Compliance With OIG Audit Recommendations, February 2008 - September 2012, OIG No. 13-2-03MA, January 25, 2013

This audit summarized the status of audit recommendations included in OIG audit reports issued during the period February 22, 2008, through September 27, 2012. Specifically, the audit indicated that District agencies closed 182 of 238 (76 percent) recommendations contained in 23 audit reports, and appropriate corrective actions were needed to address the remaining 56 (24 percent) recommendations in 17 reports. Implementing these outstanding recommendations would mitigate risks of fraud, abuse, and waste, as well as improve service delivery to District residents and others who have a vested interest in efficient and effective government operations.

District Department of Transportation's Highway Trust Fund Financial Statement Audit for the Fiscal Year Ended September 30, 2012, OIG No. 12-1-13KA, February 1, 2013

The OIG opined that the financial statements present fairly, in all material respects, in conformity with generally accepted accounting principles, the Fund's assets and liabilities as of September 30, 2012, and its revenues, expenditures, and changes in fund balance for the year then ended. We did not find any major issues of internal control weaknesses or non-compliance with regulations considered significant deficiencies that are required to be reported under *Government Auditing Standards*.

Comprehensive Annual Financial Report of the Government of the District of Columbia for the Fiscal Year Ended September 30, 2012, OIG No. 13-1-05MA, February 4, 2013

On January 28, 2013, as part of the Comprehensive Annual Financial Report (CAFR), KPMG LLP issued its opinion on the District of Columbia's (District) financial statements for the fiscal year ended September 30, 2012. The financial statements, received an unqualified or "clean" opinion from KPMG LLP. This is the 16th consecutive year the District has earned an unqualified audit opinion.

FISCAL YEAR 2013 AUDIT REPORT SUMMARIES

District of Columbia's Independent Auditors' Report on Internal Control Over Financial Reporting for the Fiscal Year Ended September 30, 2012, OIG No. 13-1-06MA, February 8, 2013

In connection with the audit of the District of Columbia's general purpose financial statements for FY 2012, KPMG LLP submitted its *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters*. This report identifies four significant deficiencies. A significant deficiency adversely affects the District's ability to initiate, authorize, record, process, and report financial data. The significant deficiencies identified in the report are in the following areas: (1) General Information Technology Controls; (2) Procurement and Disbursement Controls; (3) Tax Revenue Accounting and Reporting; and (4) Financial Reporting for Capital Assets.

The OIG is pleased to report progress relative to the financial management of the District of Columbia and, for the fourth consecutive year, the audit of the city's financial statements has revealed no material weaknesses.

University of the District of Columbia's Financial Statements and Management's Discussion and Analysis With Independent Auditors' Report Thereon for Fiscal Years Ended September 30, 2012, and 2011, OIG No. 13-1-07GG, February 22, 2013

As part of our contract for the audit of the District of Columbia's general purpose financial statements for FY 2012, KPMG LLP (KPMG) submitted its report on the University of the District of Columbia (UDC). KPMG opined that the basic financial statements present fairly, in all material respects, the financial position of UDC for the years ended September 30, 2012, and September 30, 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with United States of America generally accepted accounting principles.

Not-for-Profit Hospital Corporation's United Medical Center Financial Performance for Fiscal Years Ended September 30, 2012, and 2011, OIG No. 13-1-08HW, February 22, 2013

In connection with the audit of the District of Columbia's general purpose financial statements for FY 2012, KPMG submitted its report on the Not-for-Profit Hospital Corporation's United Medical Center (UMC) financial performance for the year ended September 30, 2012. KPMG opined that the financial statements present fairly, in all material respects, the financial position of UMC as of September 30, 2012, and 2011, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

FISCAL YEAR 2013 AUDIT REPORT SUMMARIES

District of Columbia Annuitants' Health and Life Insurance Employer Contribution Trust Fund - Financial Statements With Independent Auditors' Report Thereon - Fiscal Years Ended September 30, 2012, and 2011, OIG No. 13-1-09MA, February 28, 2013

KPMG opined that the financial statements present fairly, in all material respects, the respective plan net assets and the changes in plan net assets of the Fund for the years ended September 30, 2012, and 2011, in conformity with accounting principles generally accepted in the United States of America

District of Columbia Unemployment Compensation Fund - Financial Statements and Management's Discussion and Analysis (With Independent Auditors' Report Thereon) - Years Ended September 30, 2012, and 2011, OIG No. 13-1-10BH, February 28, 2013

KPMG opined that the financial statements present fairly, in all material respects, the financial position and cash flows of the Fund, for the years ended September 30, 2012, and 2011, and the changes in financial position for the year then ended in conformity with United States of America generally accepted accounting principles. In accordance with *Government Accounting Standards*, KPMG also issued its report on consideration of the Fund's internal control over financial reporting, which identified no deficiencies in internal control considered to be material weaknesses.

District of Columbia Lottery and Charitable Games Control Board - Financial Statements and Management's Discussion and Analysis (With Independent Auditors' Report Thereon) - Years Ended September 30, 2012, and 2011, OIG No. 13-1-11DC, February 28, 2013

As part of our contract for the audit of the District of Columbia's general purpose financial statements for FY 2012, Bert Smith and Company (BS&C) submitted a report on the District of Columbia Lottery and Charitable Games Control Board (Board). BS&C opined that the financial statements present fairly, in all material respects, the financial position of the Board, and changes in financial position and cash flows thereof for the years ended September 30, 2012, and 2011, in conformity with accounting principles generally accepted in the United States of America. In accordance with *Government Accounting Standards*, BS&C also issued its report on consideration of the Board's internal control over financial reporting and on its tests of the Board's compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. BS&C identified no deficiencies in internal control considered to be material weaknesses.

FISCAL YEAR 2013 AUDIT REPORT SUMMARIES

Report on the Construction Management at the District Department of Transportation, OIG No. 11-2-28KA(a), March 5, 2013

Our audit disclosed that internal controls over capital equipment at the District Department of Transportation (DDOT) were inadequate to ensure that inventory records are properly maintained to fully reflect and account for all equipment under its control. We directed six recommendations to DDOT to strengthen controls over the: 1) disposition of equipment; 2) periodic physical inventory of capital equipment; 3) handling of fixed assets; and 4) recovery of payment from the contractor for the use of District-owned equipment.

District of Columbia Water – Financial Statements and Independent Auditors' Reports for the Fiscal Years Ended September 30, 2012, and 2011, OIG No. 13-1-14LA, March 12, 2013

Bazilio Cobb Associates (BCA) opined that the financial statements present fairly, in all material respects, the financial position of the DC Water as of September 30, 2012, and 2011, and changes in its financial position and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Audit of the District's Eligibility Determination Process for Alliance and Medicaid Participants, OIG No. 10-1-16HT, March 15, 2013

Our audit disclosed that D.C. Department of Human Services' (DHS) Economic Security Administration (ESA) eligibility case files did not provide assurance that ESA's classification of applicants' eligibility for medical assistance was reliable. We directed five recommendations to DHS for actions necessary to correct identified deficiencies. Implementing these recommendations would yield cost savings of \$969,938 to the District government.

District Department of Transportation – Report on Examination of the District of Columbia's Highway Trust Fund Forecast Statements for Fiscal Years 2012 -2016 With Actual Audited Figures for Fiscal Year 2012, OIG No. 12-1-13KA(a), March 15, 2013

The OIG completed an examination of the District of Columbia Highway Trust Fund's 5-year forecast of expenditure conditions and operations. In our opinion, the forecasted statements are presented in conformity with guidelines established by the American Institute of Certified Public Accountants. The underlying assumptions made and methodologies used to develop the statements provide a reasonable basis for the forecast.

FISCAL YEAR 2013 AUDIT REPORT SUMMARIES

District of Columbia College Savings Program Trust Participant and Administrative Funds - Financial Statements With Independent Auditors' Report for Fiscal Year Ended September 30, 2012, OIG No. 13-1-15AT, March 15, 2013

As part of our contract for the audit of the District of Columbia's general purpose financial statements for FY 2012, Regis and Associates, PC (Regis) submitted a report on the District of Columbia College Savings Program Trust Participant and Administrative Funds (Trust) financial statements and accompanying independent auditors' report for year ended September 30, 2012. Regis opined that the financial statements present fairly, in all material respects, the financial position of the Trust as of September 30, 2012, and changes in net assets for the year then ended in conformity with U.S. generally accepted accounting principles. In accordance with *Government Accounting Standards*, Regis also issued its report on consideration of the Program's internal control over financial reporting and on its tests of the Program's compliance with certain provisions of laws, regulations, and contracts. Regis identified no deficiencies in internal control considered to be material weaknesses.

District of Columbia Teachers' and Police Officers' and Firefighters' Retirement Fund - Financial Statements and Independent Auditors' Report for the Years Ended September 30, 2012, and 2011, OIG No. 13-1-13MA, March 21, 2013

As part of our contract for the audit of the District of Columbia's general purpose financial statements for FY 2012, CliftonLarsonAllen LLP (CLA) submitted a report on the District of Columbia Teachers', Police Officers', and Firefighters' Retirement Funds (the Total Fund). CLA opined that the financial statements present fairly, in all material respects, the net assets of the Total Fund as of September 30, 2012, and 2011, and changes in its net assets for the years then ended in conformity with U.S. generally accepted accounting principles.

District of Columbia Teachers' and Police Officers' and Firefighters' Retirement Fund - Management Letter Report for the Year Ended September 30, 2012, OIG No. 13-1-13MA(a), March 21, 2013

As part of our contract for the audit of the District of Columbia's general purpose financial statements for FY 2012, CLA submitted this management letter report on the District of Columbia Teachers', Police Officers', and Firefighters' Retirement Funds (the Total Fund). This report sets forth CLA's comments and recommendations to improve the Total Fund's internal control and other operating efficiencies.

FISCAL YEAR 2013 AUDIT REPORT SUMMARIES

District of Columbia Teachers' and Police Officers' and Firefighters' Retirement Fund - Report on Internal Control and Compliance Over Financial Reporting for the Year Ended September 30, 2012, OIG No. 13-1-13MA(b), March 21, 2013

As part of our contract for the audit of the District of Columbia's general purpose financial statements for FY 2012, CLA submitted a report on internal control and on compliance and other matters for the District of Columbia Teachers', Police Officers', and Firefighters' Retirement Funds (the Total Fund). This report identifies one significant deficiency, and sets forth CLA's comments and recommendations to improve internal control and other operating efficiencies. CLA's compliance review disclosed no instances of noncompliance or other matters required to be reported under *Government Auditing Standards*.

District of Columbia Lottery and Charitable Games Control Board - Management Letter Report for Year Ended September 30, 2012, OIG No. 13-1-11DC(a), March 26, 2013

As part of our contract for the audit of the District of Columbia's general purpose financial statements for FY 2012, BS&C submitted this management letter report for the District of Columbia Lottery and Charitable Games Control Board for the year ended September 30, 2012. This report identifies one significant deficiency, and sets forth BS&C's comments and recommendations to improve internal control and other operating efficiencies.

District of Columbia Washington Convention and Sports Authority - Financial Statements and Management's Discussion and Analysis, and Independent Auditors' Report for Fiscal Year Ended September 30, 2012, OIG No. 13-1-12ES, March 26, 2013

In connection with the audit of the District of Columbia's general purpose financial statements for FY 2012, BS&C submitted its report on the District of Columbia Washington Convention and Sports Authority (the Authority). BS&C opined that the financial statements present fairly, in all material respects, the financial position of the Authority for the years ended September 30, 2012, and 2011, and the changes in its financial position and its cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

District of Columbia Annuitants' Health and Life Insurance Employer Contribution Trust Fund - Management Letter Report - Fiscal Years Ended September 30, 2012, and 2011, OIG No. 13-1-09MA(a), April 5, 2013

As part of our contract for the audit of the District of Columbia's general purpose financial statements for FY 2012, KPMG submitted this management letter report for the District of Columbia's Annuitants' Health and Life Insurance Employer Contribution Trust Fund (the Fund) for the years ended September 30, 2012, and 2011. This report sets forth KPMG's

FISCAL YEAR 2013 AUDIT REPORT SUMMARIES

comments and recommendations to improve the Fund's internal control and other operating efficiencies.

District of Columbia Housing Finance Agency - Financial Statements and Independent Auditors' Report for the Years Ended September 30, 2012, and 2011, OIG No. 13-1-16HF, April 5, 2013

In connection with the audit of the District of Columbia's general purpose financial statements for FY 2012, CohnReznick LLP (CR LLP) submitted a report on the District of Columbia Housing Finance Agency's (Agency) financial statements. CR LLP opined that the financial statements present fairly, in all material respects, the net assets of the financial position of the Agency as of September 30, 2012, and changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles. The Agency's financial statements as of September 30, 2011, were audited by other auditors whose report, dated January 9, 2012, expressed an unmodified opinion on those statements.

District of Columbia E911/E311 Special Revenue Fund Financial Statements (With Independent Auditors' Report Thereon), Fiscal Year Ended September 30, 2012, OIG No. 13-1-17UC, April 5, 2013

BS&C opined that the financial statements present fairly, in all material respects, the financial position of the District of Columbia E911/E311 Special Revenue Fund and the changes in its financial position for the year ended September 30, 2012, in conformity with accounting principles generally accepted in the United States of America. In accordance with *Government Auditing Standards*, BS&C also issued its report on consideration of the Fund's internal control over financial reporting and on its tests of the Fund's compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. This report identifies one significant deficiency. However, tests performed of compliance disclosed no instances of noncompliance or other matters required to be reported under *Government Auditing Standards*.

District of Columbia Public Schools Annual Budgetary Comparison Schedule Governmental Funds and Supplemental Information for Fiscal Year Ended September 30, 2012, OIG No. 13-1-21GA, April 5, 2013

KPMG opined that the District of Columbia Public Schools' (DCPS) Annual Budgetary Comparison Schedule presents fairly, in all material respects, the original budget, final budget, and actual revenues, expenditures, and other sources/uses of DCPS funds, which represent a portion of the District of Columbia's General Fund and Federal and Private Resources Fund, for the year ended September 30, 2012, in conformity with U.S. generally accepted accounting principles.

FISCAL YEAR 2013 AUDIT REPORT SUMMARIES

District of Columbia Tobacco Settlement Financing Corporation Financial Statements and Independent Auditors' Report for Fiscal Years Ended September 30, 2012, and 2011, OIG No. 13-1-23TT, April 5, 2013

Bazilio Cobb Associates (BCA) opined that the Tobacco Settlement Financing Corporation's (TSFC) financial statements present fairly, in all material respects, the financial position of TSFC for the years ended September 30, 2012, and 2011, and changes in its financial position for the years then ended in conformity with U.S. generally accepted accounting principles.

District of Columbia Memorandum of Recommendations for Fiscal Year Ended September 30, 2012, OIG No. 13-1-18MA, April 9, 2013

In connection with the audit of the District of Columbia's general purpose financial statements for FY 2012, KPMG submitted its Memorandum of Recommendations, known in previous years as the Management Letter. This report sets forth KPMG's comments and recommendations to improve internal control and other operating efficiencies.

District of Columbia Unemployment Compensation Fund Management Letter Report for Years Ended September 30, 2012, and 2011, OIG No. 13-1-10BH(a), May 3, 2013

As part of our contract for the audit of the District of Columbia's general purpose financial statements for FY 2012, KPMG submitted its management letter report on the District of Columbia Unemployment Compensation Fund (Fund) for years ended September 30, 2012, and 2011. KPMG identified significant deficiencies in general information technology controls and various information technology systems, and management concurred with all findings. This report sets forth KPMG's comments and recommendations to improve internal control or result in other operating efficiencies.

Home Purchase Assistance Program Special Revenue Fund, Financial Statements for the Fiscal Year Ended September 30, 2012, With Independent Auditors' Report Thereon, OIG No. 13-1-24DB, May 3, 2013

BS&C opined that the financial statements present fairly, in all material respects, the financial position of the District's Home Purchase Assistance Program (HPAP) fund as of September 30, 2012, and the results of its operations for the year then ended. Additionally, BS&C issued its report on its consideration of the HPAP's internal control over financial reporting and its tests of HPAP's compliance with laws, regulations, contracts, and grant agreements, noting three material weaknesses and one significant deficiency.

FISCAL YEAR 2013 AUDIT REPORT SUMMARIES

Application Control Review of the Office of the Chief Financial Officer's Integrated Tax System (ITS), OIG No. 11-1-11AT, May 15, 2013

Our audit disclosed that the Office of the Chief Financial Officer's (OCFO) Office of Tax and Revenue (OTR) lacked adequate management controls to ensure that: (1) sufficient and effective governance tools were formally developed to better direct information technology (IT) expenditures for optimal advantage and risk management; (2) risks associated with the delivery and support of software applications were sufficiently mitigated; and (3) application and general controls were aligned with applicable statutory provisions and best practices to minimize the risk of errors and fraud. As a result, OTR failed to collect \$6.5 million in penalty revenue and adequately minimize the risk of tax fraud and errors. Moreover, our audit further revealed that OTR is at risk of: (1) unnecessary or wasteful spending related to inefficient resource management and inadequate planning; (2) insufficient application support; and (3) unauthorized changes to critical data and programs. We directed 18 recommendations to OCFO for actions necessary to correct identified deficiencies.

University of the District of Columbia Report on Internal Control Over Financial Reporting and on Compliance and Other Matters for Fiscal Year Ended September 30, 2012, OIG No. 13-1-07GG(a), May 31, 2013

In connection with the audit of the District of Columbia's general purpose financial statements for FY 2012, KPMG submitted a report on internal control and on compliance and other matters for UDC for FY 2012. This report sets forth KPMG's comments and recommendations to improve UDC's internal control and other operating efficiencies. The report identifies one material weakness and other deficiencies considered to be significant deficiencies. The results of tests performed by KPMG disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

University of the District of Columbia Management Letter Report for the Year Ended September 30, 2012, OIG No. 13-1-07GG(b), May 31, 2013

In connection with the audit of the District of Columbia's general purpose financial statements for FY 2012, KPMG submitted a management letter report for the UDC for FY 2012. This report sets forth KPMG's comments and recommendations to improve internal control or result in other operating efficiencies.

FISCAL YEAR 2013 AUDIT REPORT SUMMARIES

Not-for-Profit Hospital Corporation/United Medical Center - Report on Internal Control and Compliance Over Financial Reporting for the Year Ended, September 30, 2012, OIG No. 13-1-08HW(a), May 31, 2013

This report identified two deficiencies in internal control over financial reporting considered to be significant deficiencies: (1) inadequate resources and management review supporting the financial review process; and (2) lack of access controls over information technology. KPMG set forth three recommendations for correcting the identified internal control weaknesses. Tests performed of compliance disclosed no instances of noncompliance or other matters required to be reported under *Government Auditing Standards*.

Audit of the Contracting and Procurement Operations of the Office of the Chief Financial Officer, OIG No. 08-1-26AT, August 30, 2013

The OCFO did not fully comply with Title 27 DCMR provisions when awarding contracts for services. Specifically, OCFO did not: (1) perform a required cost analysis to determine the cost reasonableness for some of the contracts reviewed; (2) adequately establish prices for an office supply contract awarded in the amount of \$350,000; and (3) provide adequate justification to use the single available source method of procurement for some of the contracts reviewed. We directed nine recommendations to OCFO for actions necessary to correct the described deficiencies. OCFO agreed with all of the recommendations and provided detailed plans to implement them. Implementing these recommendations would yield \$679,763 in cost savings to the District government.

Audit of the District's Plan to Procure and Manage Information Technology Services, OIG No. 13-2-25PO, September 24, 2013

Our audit disclosed that the OCP did not obtain a business plan from the Office of Chief Technology Officer (OCTO) and did not perform a cost estimate prior to issuing a request for proposal for information technology (IT) services to justify that use of a contract to manage District IT procurement services is more economical than using District personnel. We directed one recommendation to OCTO and one recommendation to OCP for actions necessary to correct the described deficiencies. Implementing these recommendations would yield approximately \$9.1 million in cost savings to the District government.



**FISCAL YEAR 2013 INSPECTIONS AND EVALUATIONS DIVISION
PERFORMANCE MEASURES STATISTICS**

Activity	FY 2013 Target	FY 2013 Actual
Number of Final Inspection/Evaluation Reports Issued	10	10



**FISCAL YEAR 2013 INSPECTIONS AND EVALUATIONS DIVISION
FINDINGS AND RECOMMENDATIONS STATISTICS**

Report	Findings	Recommendations
Summary of Compliance Activities (October 5, 2012)	-	-
13-I-0051HC: Department of Health – <i>Report of Special Evaluation: 2007-2010 Youth and HIV/AIDS Prevention Initiative Plan</i>	8	7
13-I-0052FB: Fire and Emergency Medical Services Department (FEMS) – <i>Report of Re-inspection – Conditions in FEMS Fire Stations</i>	1	6
13-I-0053JM: Department on Disability Services – <i>Report of Special Evaluation: Developmental Disabilities Administration</i>	6	16
MAR 13-I-001: Department of General Services (DGS) – <i>Lack of Security Measures Observed at the 441 4th Street, N.W. Mail Room Managed by DGS</i>	2	5
MAR 13-I-002: Fire and Emergency Medical Services Department – <i>Deficiencies Observed in the Repair and Readiness of Reserve Vehicles</i>	5	3
13-I-0054HY: D.C. Housing Authority – <i>Report of Special Evaluation: Client Placement Division</i>	3	7
13-I-0055JA: Department of Human Services – <i>Report of Special Evaluation: New York Avenue Men’s Emergency Shelter</i>	6	8
13-I-0056CF: Department of Human Resources – <i>Report of Special Evaluation: Agencies’ Implementation of and Compliance With the District’s Mandatory Drug and Alcohol Testing Policy</i>	5	15
13-I-0057HC: Department of Health – <i>Report of Special Evaluation: Health Regulation and Licensing Administration</i>	6	5
Total	42	72



**FISCAL YEARS 2012 & 2013 INVESTIGATIONS DIVISION
PERFORMANCE MEASURE STATISTICS**

Activity	FY 2012 Targets	FY 2012 Actuals	FY 2013 Targets	FY 2013 Actuals
Evaluate all complaints within 10 days of receipt in the Investigations Division	85%	99%	85%	100%
Complete or convert every preliminary investigation within 30 business days of assignment to investigator in the Investigations Division	80%	94%	80%	98%
Prepare a referral letter to the appropriate District department or agency within 10 work days of a complaint being assigned to the Investigations Division Referral Program	85%	99%	85%	100%



**INVESTIGATIONS DIVISION PERFORMANCE STATISTICS
FISCAL YEARS 2010 - 2013**

Activity	FY 2010	FY 2011	FY 2012	FY 2013
Complaints Received	610	638	790	659
Formal Investigations Opened	129	140	227	181
Formal Investigations Closed	116	125	194	213
Zero Files	173	119	78	91
Referrals	308	379	485	387
Referrals Closed	269	320	401	300
Cases Presented to Prosecutor	48	52	61	42
Cases Accepted by Prosecutor	26	20	18	24
Restitution Orders and Fines	\$2,690,643	\$494,736	\$842,545.16	\$366,610.28
Recoveries	\$27,867	\$54,867	\$12,589	\$2,436.36
Convictions	22	20	10	13
Indictments	6	2	1	1
Searches Conducted	6	3	1	2
Subpoenas Served	350	210	144	100
ROIs	8	10	7	17
MARs	3	6	4	0
SARs	14	24	18	13
Investigative Referrals	24	31	157	34



**FISCAL YEAR 2013 INVESTIGATIONS DIVISION
CASES CLOSED BY AGENCY**

Agency/Department/Office	Total
Administrative Hearing, District of Columbia Office of	5
Alcoholic Beverage Regulation Administration	3
Army National Guard, District of Columbia	1
Attorney General for the District of Columbia, Office of the	3
Advisory Neighborhood Commission	1
Chief Financial Officer, Office of the	8
Chief Technology Officer, Office of the	6
Child and Family Services Agency	2
Commission on the Arts and Humanities, District of Columbia	1
Consumer and Regulatory Affairs, Department of	9
Contracting and Procurement, Office of	7
Corrections, Department of	1
Council of the District of Columbia	3
Disability Rights, District of Columbia Office of	1
Disability Services, Department on	4
Employment Services, Department of	29
Environment, District Department of the	5
Fire & Emergency Medical Services Department	6
General Services, Department of	7
Health, Department of	3
Housing and Community Development, Department of	3
Human Resources, Department of	6
Human Services, Department of	2
Insurance, Securities and Banking, Department of	2
Mental Health, Department of	2
Metropolitan Police Department	5
Motor Vehicles, Department of	10
Parks and Recreation, Department of	1
Police Complaints, Office of	1
Property Management, Office of	6
Public Employee Relations Board	1
Public Library, District of Columbia	1
Public Schools, District of Columbia	10
Public Works, Department of	4
Risk Management, Office of	1
Sentencing and Criminal Code Revision Commission, District of Columbia (formerly Office of Advisory Commission on Sentencing)	1
Small and Local Business Development, Department of	2
State Superintendent of Education, Office of the	18

**FISCAL YEAR 2013 INVESTIGATIONS DIVISION
CASES CLOSED BY AGENCY**

Agency/Department/Office	Total
Taxicab Commission, District of Columbia	1
Tenant Advocate, Office of the	2
Transportation, District Department of	8
Unified Communications, Office of	2
University of the District of Columbia	2
Victim Services, Office of	1
Youth Rehabilitation Services, Department of	12
DC Water	4

FISCAL YEAR 2013 HOTLINE STATISTICS BY QUARTER

Category	Q1	Q2	Q3	Q4	Total
Threats to public health, to public safety, or to the environment; or involving unsafe working conditions	0	0	1	3	4
Physical assaults or threats of violence	1	0	1	3	5
Fraud, theft, or false claims	11	10	14	63	98
Bribery, extortion, kickbacks, or illegal gratuities	1	1	3	14	19
Misuse of government funds or property, or use of official position for private gain	1	1	2	2	6
Governmental waste, inefficiency, or mismanagement	12	12	14	64	102
Contract fraud or procurement violations	1	0	0	2	3
False statements	0	0	1	7	8
Ethics violations and conflicts of interest	3	3	0	4	10
Time and attendance fraud	0	2	1	0	3
Harassment, retaliation, or abuse of authority by a supervisor or by another government official	2	2	6	15	25
Hiring, promotion, or other treatment of employees in violation of personnel regulations	0	2	4	11	17
Incivility or lack of response from an agency	0	1	1	4	6
Miscellaneous	1	1	15	52	69
Totals	33	35	63	244	375

FISCAL YEAR 2013 INVESTIGATIONS DIVISION REFERRAL STATISTICS

Agency	No. of Referrals
Advisory Neighborhood Commissions, Office of	1
Administrative Hearings, Office of	1
Alcoholic Beverage Regulation Administration	2
Aging, Office on	1
Attorney General for the District of Columbia, Office of	10
Chief Financial Officer, Office of the	7
Chief Information Officer, Office Of	1
Child and Family Services Agency	8
Consumer and Regulatory Affairs, Department of	16
Contracting and Procurement, Office of	3
Corrections, Department of	4
Disability Services, Department on	5
Employment Services, Department of	16
Environment, District Department of the	1
Executive Office of the Mayor	2
Federal Referrals*	59
Fire and Emergency Medical Services Department	7
General Services, Department of	1
Health, Department of	19
Health Care and Finance, Department of	5
Housing and Community Development, Department of	3
Housing Authority, District of Columbia	5
Human Resources, Department of	5
Human Rights, Office of	1
Human Services, Department of	19
Inspector General, Office of (Medicaid Fraud Control Unit)	3
Insurance & Securities Regulation, Department of	2
Mental Health, Department of	2

FISCAL YEAR 2013 INVESTIGATIONS DIVISION REFERRAL STATISTICS

Agency	No. of Referrals
Metropolitan Police Department	22
Motor Vehicles, Department of	26
Parks and Recreation, Department of	6
Pay and Retirement Services, Office Of	2
People's Counsel, Office of the	2
Private Entities	25
Public Charter Schools, District of Columbia	1
Public Employee Relations Board	1
Public Schools, District of Columbia	13
Public Service Commission	2
Public Works, Department of	5
Retirement Board, District of Columbia	1
Risk Management, Office of	2
Small and Local Business Development, Department of	1
State Referrals**	11
State Superintendent of Education, Office of the	3
Superior Court for the District of Columbia	3
Tax and Revenue, Office of	30
Taxicab Commission, District of Columbia	2
Transportation, District Department of	5
Unified Communications, Office of	2
University of the District of Columbia	6
Washington Metropolitan Area Transit Authority, OIG	1
DC Water	1
Youth Rehabilitation Services, Department of	5
Total Referrals	387

*Federal Referrals (59)

Air Force	3
Army, OIG	4
Bureau of Prisons	13

FISCAL YEAR 2013 INVESTIGATIONS DIVISION REFERRAL STATISTICS

U.S. Department of the State	1
U.S. Department of Homeland Security	2
U.S. Department of the Defense, OIG	2
U.S. Department of Energy, OIG	2
U.S. Department of Justice, OIG	3
U.S. Department of Labor	2
U.S. Department of Housing and Urban Development	4
U.S. Federal Bureau of Investigation	5
U.S. Federal Emergency Management Administration	3
U.S. National Security Agency	1
U.S. Office of Personnel Management	3
U.S. Small Business Administration	1
U.S. Social Security Administration	1
U.S. Department of Education	2
U.S. Department of Agriculture	1
United States Postal Service	2
U.S. Veterans Affairs	4

****State Referrals (11)**

Alabama Department of Energy	1
Alabama State Inspector General	1
California Department of Insurance	1
Las Vegas MPD	1
Missouri Attorney General	1
New York Detention Center	1
Pennsylvania Department of Health	1
Pennsylvania Inspector General	2
Virginia Department of Corrections	1
Washington Inspector General	1

FISCAL YEAR 2013 INVESTIGATIONS DIVISION REFERRAL RESOLUTIONS

Referral Resolutions	No. of Referrals
Referred With No Response Requested	256
Matter Referred for Criminal Prosecution	0
Case Closed Administratively After Response Received	70
Contract/Contractor Terminated or Ended	1
Employee Disciplined or Terminated	2
Employee Resigned or Retired	0
Employee Referred to Employee Assistance Program	0
Counseling, Training, or Instruction Provided	3
Restitution/Recovery/Fine	0
Cost Avoidance	0
Agency Reviewed, Revised, or Reinforced Its Procedures and Policies	5
Other/Miscellaneous	10
Agency Sub-Referred OIG Referral	0
Agency Refused/Failed to Investigate, Address, or Implement OIG Recommendations	0
Case Closed With Letter of Delinquency to Mayor	0



FISCAL YEAR 2013 MFCU PERFORMANCE MEASURE STATISTICS

Performance Goal	FY 2013 Target	FY 2013 Actual
Obtain 24 criminal/civil resolutions (plea, settlement, or verdict) in fiscal year	24	21



**MFCU PERFORMANCE STATISTICS
FISCAL YEARS 2012 & 2013**

Performance Statistics	FY 2012	FY 2013
Number of complaints received ¹	3,241	2,116
Unusual Incident Reports	3,216	1,965
Number of fraud matters initiated	41	66
Number of abuse, neglect, or sexual assault matters initiated	127	71
Number of theft or funds misappropriation matters initiated	23	19
Provide training/in-service education to relevant entities	14	12
Criminal and Civil Resolutions	13	21
Criminal Convictions	5	6
Plea Agreements	4	4
Guilty Verdicts	1	2
Criminal Acquittals	0	1
Civil Resolutions	8	14
Criminal Recoveries		\$3,933,197.76 ²
Civil Recoveries		\$3,868,284.86

¹ Previously, the MFCU reported on the number of Unusual Incident Reports received. In FY 2011, the MFCU began documenting the number of complaints received, including Unusual Incident Reports, and those that were telephoned, emailed, faxed, and delivered in-person.

² This number has not been previously reported on this Appendix.



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