

**TESTIMONY OF DANIEL W. LUCAS, INSPECTOR GENERAL
BEFORE THE
COUNCIL OF THE DISTRICT OF COLUMBIA
COMMITTEE ON EXECUTIVE ADMINISTRATION AND LABOR**

**BUDGET OVERSIGHT HEARING ON THE
OFFICE OF THE INSPECTOR GENERAL'S
FISCAL YEAR 2026 BUDGET
June 2, 2025**

Good afternoon, Chairperson Bonds and Members of the Committee. I am Daniel W. Lucas, Inspector General for the District of Columbia. I am pleased to appear before the Committee to review the Office of the Inspector General (OIG) budget submission for fiscal year (FY) 26. Ms. Jaime Yarussi, Deputy Inspector General for Business Management, joins me today to help answer any questions you may have.

During today's testimony, I will cover three specific areas: (1) the OIG's unique budget process; (2) our FY 25 budget and expenditures to date; (3) our FY 26 proposed budget.

BUDGET PROCESS

The OIG has a unique budget process compared to other District agencies. Specifically, the OIG's enabling legislation states that the OIG "shall prepare and submit to the Mayor . . . annual estimates of the expenditures and appropriations necessary for the operation of the [OIG] for the year." These estimates are then "forwarded by the Mayor to the Council . . ., without revision but subject to recommendations, including recommendations on reallocating any funds from the Inspector General's estimates to other items in the District Budget."¹

¹ D.C. Code § 1-301.115a (a)(2)(A).

The OIG's budget also benefits from a special purpose revenue fund (OIG Support Fund).² The OIG Support Fund is funded by 25 percent of criminal restitution and recoupments generated from an OIG criminal investigation³ and 25 percent of revenue from recaptured overpayments identified through an OIG audit, inspection, or evaluation.⁴

The OIG Support Fund budget estimates anticipated revenues to be deposited into the fund in the forthcoming fiscal year. For FY 2026, we have adjusted our estimated deposits into the Support Fund. Specifically, while our investigative work has resulted in substantial monetary judgments, the corresponding payment of these judgments has been slow. Despite this, we have and continue to use the OIG Support Fund as a critical tool to fund emergent oversight requirements.

OIG's FY 25 BUDGET

OIG FY 25 Approved Budget. The OIG's FY 25 approved gross budget is \$24 million. Our approved budget includes \$1.6 million in budget authority in the OIG's Support Fund. Also included is a 2% (\$295,000) reduction in personnel services (PS) funding due to vacancy savings -- equivalent to three full-time equivalent (FTE) positions -- which we agreed to during last year's budget formulation process.

Since the approval of the OIG's FY 25 budget, we -- like the rest of the District government -- have contributed our resources to addressing District-wide budget pressures. First, in March of this year, the OIG worked with the Executive and agreed to return \$450,000 in PS surplus.

² D.C. Code § 1-301.115c.

³ *Id.* § (b)(1).

⁴ *Id.* § (b)(2).

Second, with the issuance of the City Administrator's Order 2025-1, the OIG voluntarily adopted additional spending restrictions to help the District's overall financial condition. Finally, with Mayor's Order 2025-053, the OIG scrutinized its budget to ensure that we could execute our statutory mission while contributing to the District's shortfall. As a result, we have frozen 14 vacant positions (approximately \$1.5 million in PS Funds) and reduced our nonpersonnel services (NPS) budget by \$1.4 million for the remainder of FY 25. That said, and to manage expectations of the District government as well as the public, these reductions will have a direct impact on the number of engagements we can undertake, as well as the timeframes to complete our oversight work.

OIG FY 25 Expenditures. Through May of this year, the OIG expended about 62 percent of our adjusted FY 25 budget.

To mitigate adverse impacts on our current FY budget, we have diligently evaluated our internal operations to maximize the economic and efficient use of our available resources. In one example, we have conducted a comprehensive review of our information technology and subscription-based services to optimize our technology portfolio and maximize operational efficiency. This effort includes consolidating our Investigations Unit (IU) and Medicaid Fraud Control Unit (MFCU) case management systems, which will yield enhanced synergies and reduce recurring expenditures. Another example is leveraging procurements to maximize our internal efficiency, such as combining the statutorily required Annual Comprehensive Financial Report (ACFR) financial audit⁵ and the District of Columbia Housing Authority financial audit⁶ into a single procurement. This effort has reduced our internal resources required to award and

⁵ D.C. Code § 1-204.48 (a)(4).

⁶ D.C. Code § 6-207.01 (a)(1).

administer the contract, while still maintaining rigorous oversight of the contractor's performance.

During the remainder of FY 25, we will seek additional opportunities to maximize the District's investments in the OIG and identify areas where District agencies can improve their programs and operations to be more economic, efficient, and effective.

OIG's FY 26 PROPOSED BUDGET

Looking beyond FY 25, the OIG's proposed FY 26 gross budget is \$23.5 million, reflecting a decrease of 2.3 percent from last FY's approved budget. Our proposed budget includes estimated deposits into the OIG Support Fund totaling \$1 million and \$3 million in federal grant funds to support our Medicaid Fraud Control Unit.

Next year, we anticipate specific budget pressures, including statutorily required engagements, operationalizing internal initiatives, and planning for additional oversight needs in response to federal actions that may impact the District.

- **Statutory-Required Engagements:**

- First, the OIG will award and administer a contract for an independent audit of the District's management and valuation of commercial real property tax assessments.⁷ This requirement was borne from the fallout of the \$48 million tax refund fraud scheme ending in 2007. As mandated, the OIG is responsible for awarding and administering a contract with an independent firm to evaluate the OTR's commercial real property assessment process, as well as

⁷ D.C. Code § 47-821 (e)(1).

its organizational structure and human capital management. Ultimately, this engagement's independent and objective assessment seeks to identify any risks to District taxpayers by identifying and recommending improvements to ensure a robust, transparent, and equitable tax assessment process

- The OIG will also engage an outside auditor to conduct our triennial Procurement Risk Assessment. This assessment is an evolution of our statutory requirement⁸ to conduct an audit of all procurement activities within the District. Over the years, we have found that a risk assessment provides greater utility to the District, allowing for the proactive identification of procurement-related issues before they materialize and impact the District. The three-year timeframe enables District agencies to mitigate identified risks. The procurement risk assessment also informs our annual audit and inspection plan and our oversight engagements to evaluate the economy, efficiency, and effectiveness of district procurements.

- **Internal Initiatives:**

- Second, subject to the availability of resources, we plan to operationalize our Body Worn Camera (BWC) Program. This requirement was included as part of D.C. Law 24-289, the “Inspector General Enhancement Amendment Act of 2022,” but was subject to the availability of funding.⁹ Although this requirement remains unfunded, reallocating currently appropriated resources to this program will benefit the District, the OIG and our special agents, and

⁸ D.C. Code § 1-301.115a (a)(3)(E).

⁹ See D.C. Law 24-289 Sec. 3.

the public when BWCs are deployed during judicially authorized law enforcement operations.

- We will continue investing in tools and training for OIG staff. As we face resource constraints, these investments will seek to improve our productivity and position us to be more agile and innovative as we conduct our oversight work.

- **Federal Impacts on the District:** Finally, the OIG is keenly aware of federal actions that may directly or indirectly affect the District government and the residents we serve. These impacts may create various pressures on individuals and businesses, create or expand opportunities for the exploitation of District programs and operations, and lead to an environment where ineffective stewardship of District resources is tolerated. Collectively, these elements will increase risks to the District. We continue to identify and evaluate these risks and provide incremental oversight as our capacity allows.

CONCLUSION

In conclusion, Chairperson Bonds and members of the Committee, the OIG has a critical oversight role for the District. I appreciate the Executive's support in proposing a FY 26 budget that will allow the OIG to continue its work to help ensure District revenues are maximized, and expenditures are economical, efficient, and effective. I also appreciate this Committee and the Council's continuous support of the OIG. As the Council deliberates a difficult budget, it is important to remember that the risk of fraud, waste, abuse, and mismanagement increases as resources decrease. As such, we will continue to be judicious in the use of our budgeted

resources and focus our work on high-risk programs and operations that encompass the District's \$21.8 billion budget.

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