

# DISTRICT OF COLUMBIA OFFICE OF THE INSPECTOR GENERAL

OIG Project No. 17-1-18MA

April 2017



## DISTRICT OF COLUMBIA MANAGEMENT RECOMMENDATIONS

FISCAL YEAR 2016



### *Guiding Principles*

*Workforce Engagement \* Stakeholders Engagement \* Process-oriented \* Innovation  
\* Accountability \* Professionalism \* Objectivity and Independence \* Communication \* Collaboration  
\* Diversity \* Measurement \* Continuous Improvement*

## Mission

Our mission is to independently audit, inspect, and investigate matters pertaining to the District of Columbia government in order to:

- prevent and detect corruption, mismanagement, waste, fraud, and abuse;
- promote economy, efficiency, effectiveness, and accountability;
- inform stakeholders about issues relating to District programs and operations; and
- recommend and track the implementation of corrective actions.

## Vision

Our vision is to be a world class Office of the Inspector General that is customer-focused, and sets the standard for oversight excellence!

## Core Values

Excellence \* Integrity \* Respect \* Creativity \* Ownership  
\* Transparency \* Empowerment \* Courage \* Passion  
\* Leadership



GOVERNMENT OF THE DISTRICT OF COLUMBIA  
Office of the Inspector General

Inspector General



April 6, 2017

The Honorable Muriel Bowser  
Mayor  
District of Columbia  
Mayor's Correspondence Unit, Suite 316  
1350 Pennsylvania Avenue, N.W.  
Washington, D.C. 20004

Jeffrey S. DeWitt  
Chief Financial Officer  
Office of the Chief Financial Officer  
John A. Wilson Building  
1350 Pennsylvania Avenue, N.W., Suite 203  
Washington, D.C. 20004

The Honorable Phil Mendelson  
Chairman  
Council of the District of Columbia  
John A. Wilson Building  
1350 Pennsylvania Avenue, N.W., Suite 504  
Washington, D.C. 20004


Dear Mayor Bowser, Chairman Mendelson, and Chief Financial Officer DeWitt:

Enclosed is the District of Columbia Management Recommendations report issued by SB & Company, LLC (SB&C) for fiscal year (FY) 2016 (OIG No. 16-1-18MA). SB&C submitted this report as part of our overall contract for the audit of the District of Columbia's general-purpose financial statements for FY 2016.

This report sets forth SB&C's comments and recommendations intended to improve internal controls or result in other operating efficiencies in District government. The report also includes SBC's summary of prior year (FY 2015) management recommendations and the corresponding implementation status.

If you have any questions concerning this report, please contact me or Toayoa D. Aldridge, Assistant Inspector General for Audits, at (202) 727-5112.

Sincerely,

  
Daniel W. Lucas  
Inspector General

DWL/fg

Enclosure

cc: See Distribution List

**DISTRIBUTION:**

The Honorable Jack Evans, Chairperson, Committee on Finance and Revenue, Council of the District of Columbia (via email)  
The Honorable Vincent C. Gray, Chairperson, Committee on Health, Council of the District of Columbia (via email)  
The Honorable Anita Bonds, Chairperson, Committee on Housing and Neighborhood Revitalization, Council of the District of Columbia (via email)  
The Honorable Brandon T. Todd, Chairperson, Committee on Government Operations, Council of the District of Columbia (via email)  
Mr. Rashad M. Young, City Administrator, Attention: Mr. Barry Kreiswirth (via email)  
Ms. Brenda Donald, Deputy Mayor for Health and Human Services, District of Columbia (via email)  
Mr. Kevin Donahue, Deputy City Administrator and Deputy Mayor for Public Safety and Justice, District of Columbia (via email)  
Mr. Brian T. Kenner, Deputy Mayor for Planning and Economic Development, District of Columbia (via email)  
Mr. John Falcicchio, Chief of Staff, Office of the Mayor (via email)  
Mr. Kevin Harris, Director, Office of Communications, (via email)  
Mr. Matthew Brown, Director, Mayor's Office of Budget and Finance (via email)  
Ms. Nyasha Smith, Secretary to the Council, Council of the District of Columbia (via email)  
Ms. Tracey Cohen, Interim Executive Director, Office of Lottery and Charitable Games, District of the Columbia (via email)  
Mr. Luis Hernandez, Chief Executive Officer, United Medical Center (via email)  
Mr. Wayne Turnage, M.P.A, Director, Department of Health Care Finance (via email)  
Ms. Archana Vemulapalli, Chief Technology Officer, Office of the Chief Technology Officer (via email)  
Mr. Timothy Barry, Executive Director, Office of Integrity and Oversight, Office of the Chief Financial Officer (via email)  
The Honorable Karl Racine, Attorney General for the District of Columbia (via email)  
The Honorable Kathleen Patterson, D.C. Auditor, Office of the D.C. Auditor, Attention: Cathy Patten (via email)  
Mr. Jed Ross, Director and Chief Risk Officer, Office of Risk Management (via email)  
Mr. Graylin (Gray) Smith, Partner, SB & Company, LLC (via email)

**The District of Columbia**  
**Management Recommendations**  
**For the Year Ended September 30, 2016**



**SB & COMPANY, LLC**  
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To the Mayor, City Council, Inspector General  
and Chief Financial Officer of the District of Columbia

In planning and performing our audit of the basic financial statements of the District of Columbia and related entities (the District) as of and for the year ended September 30, 2016, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that were appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we did not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that have not been identified. Although no matter of a material weakness was noted, other recommendations have been noted which we believe will further improve the District's internal controls or operating effectiveness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. None of the identified deficiencies in internal control were considered to be a material weakness.

This letter does not affect our report dated January 25, 2017, on the financial statements of the District. We will review the status of the comments during our next audit engagement. Our comments and recommendations, which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating improvements. This letter does not include the recommendations or deficiencies for the Not-for-Profit Hospital Corporation or the University of the District of Columbia, which were issued as separate letters.

The purpose of this communication, which is an integral part of our audit, is to describe, for management and those charged with governance, our observations and recommendations to improve the District's internal controls and operations. Accordingly, this communication is not intended to be and should not be used for any other purpose.

Washington, DC  
January 25, 2017



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## **DISTRICT OF COLUMBIA**

### **TABLE OF CONTENTS**

#### **GENERAL GOVERNMENT**

- |    |   |   |
|----|---|---|
| 1. | Payroll Application and Supporting Database Software Are No Longer Supported by the Vendor(s)     | 1 |
| 2. | Processes Are Not in Place to Ensure Data is Secured Based on the OCTO Data Classification Policy | 1 |
| 3. | Medicaid Eligibility Files Were Not Provided to Auditors  | 2 |

#### **HOME PURCHASE ASSISTANCE PROGRAM**

- |    |  |   |
|----|--|---|
| 4. | No Expenditures Were Recorded in the Home Purchase Assistance Program Fund | 4 |
|----|--|---|

<b>STATUS OF PRIOR YEAR RECOMMENDATIONS</b>	<b>5</b>
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## GENERAL GOVERNMENT

### 1. Payroll Application and Supporting Database Software Are No Longer Supported by the Vendor(s)

The version of PeopleSoft software used to process payroll is at the end of life and is no longer supported by the vendor. Similarly, the version of database software is also at the end of life and no longer supported by the vendor. Maintaining supported software ensures that vendor assistance is available in the event that a problem occurs or is identified.

**Recommendation:**

Implement a plan to migrate to a more current version of PeopleSoft and the supporting database software.

**Management Response:**

PeopleSoft HCM 9.2 Upgrade project is currently under way projected with a planned “go-live” date at the end of May 2017. After the project is completed, the PeopleSoft HCM will be on the latest application version including Oracle Linux OS v.7 and Oracle Database v.12c.02.

### 2. Processes Are Not in Place to Ensure Data is Secured Based on the OCTO Data Classification Policy

A process is not in place to ensure that the data maintained by the Office of the Chief Technology Officer (OCTO) in compliance with the Data Classification policy. OCTO has issued a Data Classification policy on how data should be maintained based on the data classification (e.g., confidential). However, there are no requirement that follow-up procedures be performed to verify that data is maintained in accordance with the established data classification policy. As a result, data that is not maintained in compliance with the Data Classification policy may be exposed to increased risk of compromise.

**Recommendation:**

Processes should be implemented to ensure that data maintained by OCTO is handled in compliance with the Data Classification policy.

**Management Response:**

OCTO acknowledges the findings and agrees to take steps to implement processes to ensure compliance with its Data Classification Policy.





Since the arrival of the current Chief Technology Officer in January 2016, OCTO has taken several major steps to address the issue raised in the Notice of Finding and Recommendation (NFR). In particular, the Agency hired a Chief Information Security Officer (CISO), and a Governance, Risk, Compliance (GRC) Manager. The latter has made great strides in reviewing the Agency's existing policies, conducting internal compliance assessments, and assessing the District's risk as a whole.

The GRC Manager and his team have developed a three pronged approach to address the critical issues. First and foremost, they are reviewing and updating existing policies and collaborating with other stakeholders, including but not limited to the D.C. Department of Human Resources, to revise its policies and educate employees about all proposed changes. This would include any proposed changes to the existing Data Classification Policy.

Second, the Agency has undertaken an extensive search to hire a well-qualified individual to fill the position of Risk Lead. This employee, as part of the GRC, will develop, implement, and manage a systems authorization program based on NIST's Risk Management Framework (RMF) that will provide a programmatic approach to data classification, system categorization, and risk assessments. In addition, OCTO is in the early stages of procurement for a software application that will document and automate this process with status of each agency system. Agency System and data owners will be responsible for classifying their data, categorizing their system, selecting appropriate controls, implementing them, and will communicate changes to OCTO.

In addition, under the guidance of its Risk Lead, the GRC team will assess the agencies' controls and submit their systems authorization packages for approval. Upon receiving authorization to operate its system, the agency system will be plugged in for continuous monitoring by OCTO's Security Operations Center (SOC) engineers and compliance team. OCTO will conduct periodic vulnerability scans and patching in accordance with the established policy and standards.

As outlined above, OCTO asserts and is fully committed to implementing this program and the associated processes in the summer of 2017. Our initial focus will be on OCTO systems and services as the common control provider (CCP). In this respect, all other agencies will be able to leverage OCTO's system(s) as they begin to develop their systems authorization packages.

This will meet and exceed the recommendations for the classification and categorization of electronic data, and ensure that centralized management of the data maintained on technology platforms supported by OCTO are in compliance with its Data Classification policy.

### **3. Medicaid Eligibility Files Were Not Provided to Auditors**

Client files for five Medicaid claim payments made for eligible recipients were not provided. SB & Company, LLC was unable to determine whether information included in MMIS was supported by client files.



Medicaid claim payments are made by the District on the basis that recipients met, and maintained the eligibility requirements during a specific service period. Inadequate support for eligibility information could result in inaccuracies in the system.

**Recommendation:**

We recommend the District ensures proper client files are maintained to support the client information included in the MMIS system.

**Management Response:**

The District is in partial agreement with the findings noted by SB & Company, LLC. The District disagrees with the finding relating to one case, in which the District did not have sufficient information to research and provide the eligibility information requested. This issue was identified early in the process and the District requested additional information from the auditors or that a new case be selected for review. The auditors never provided the requested information nor did they request a new case. Therefore, the District was unable to determine whether there was a documentation issue associated with the case.

The District agrees with SB & Company's findings with respect to the remaining cases identified. The remaining cases were researched by the Economic Security Administration (ESA). ESA staff searched for electronic copies of documentation as well as hard copies. Documentation could not be located for these cases in either format. Due to our inability to locate the appropriate documentation, the District is in agreement with the findings for four of the five exceptions noted (cases 10, 59, 60 and 61).

The District of Columbia Economic Security Administration (ESA) is in the process of implementing a Business Process Reengineering (BPR) project, which is an eligibility case processing system-wide initiative that the District expects will greatly increase oversight of case processing and reduce instances of lost paperwork. As of this writing, BPR has been deployed to three of the five Service Centers and is scheduled to be completed by April 2017. BPR utilizes detailed narratives, case notes, check lists and revamped trainings to improve case processing. The BPR process also mandates that all submitted documentation be scanned at the time of submission so that originals and a receipt can be returned to customers. This process has reduced the number of instances in which customers who submit documents at their service centers are later required to resubmit paperwork to ESA. This approach leverages the desktop scanners purchased in June 2015, allowing caseworkers and clerks to directly upload documentation into the Document Imaging Management System (DIMS) for all Medicaid cases. As part of the BPR project, ESA has also updated DIMS training to further improve scanning and indexing of customer documentation.



## HOME PURCHASE ASSISTANCE PROGRAM

### 4. No Expenditures Were Recorded in the Home Purchase Assistance Program Fund

During the audit, we noted no expenditures were recorded to the fund. The fund recorded \$454,715 in expenditures in 2015, related to salaries, benefits, professional, contractual and other administrative expenses. Expenditures should be recorded to the fund that incurred the cost.

**Recommendation:**

We recommend that management record expenditures based on the estimate of salaries and other charges incurred related to activities that support the fund.

**Management Response:**

When the Fund's FY 2016 budget was formulated, it had a deficit fund balance due to a prior-year accounting adjustment. As a result, the Office of Revenue Analysis (ORA) did not certify revenue for the Fund. Without having certified revenue, the Office of Budget and Planning (OBP) and the Mayor's Office of Budget and Finance (OBF) did not grant budget authority to the Fund which prevented expenditures (spending) from the Fund.



**STATUS OF PRIOR YEAR RECOMMENDATIONS**

	<b>Prior Year Recommendation by Entity</b>	<b>Status of Recommendation</b>
	<b>GENERAL GOVERNMENT</b>	
<b>1</b>	Remove Permissions to the Database Supporting the SOAR Financial Application	Resolved
<b>2</b>	Improve Information Security Processes and Procedures Supporting the Office of the Chief Financial Officer (OCFO)	Resolved
<b>3</b>	Define and Evaluate Logical Permissions for the Database Supporting SOAR Database	Resolved
<b>4</b>	Reevaluate Network Security Supporting the Office of the Chief Financial Officer	Resolved
	<b>DISTRICT OF COLUMBIA LOTTERY</b>	
<b>5</b>	Deficiency In Information Security Processes — Information Security Processes and Procedures Supporting DC Lottery	Partially Implemented
<b>6</b>	Implement Improvements Around Network Security Supporting DC Lottery	Resolved
<b>7</b>	Document the Review Process for the Intralot SSAE16 Report	Resolved
<b>8</b>	Continue to Develop and Redefine The Game Security Plan	Resolved
<b>9</b>	Document Policy and Procedures For Daily Gaming Analysis	Resolved
	<b>NOT FOR PROFIT HOSPITAL CORPORATION</b>	
<b>10</b>	Self-Report Medicare Non-Compliance	Resolved



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11	Create a Formal Review Process for Changes to Employee Records and Updating Employee Deductions	Resolved
12	Improve Controls Over Financial Statement Close Process	Resolved
13	Create a Formal Process of Adjusting Patient Revenue Charges for the Skilled Nursing Facility	Resolved
14	Implement Monitoring Procedures for the Point Click Care System for the Skilled Nursing Facility (SNF)	Resolved
15	Develop a Process to Ensure Completeness of Application of the Appropriate Contractual Adjustment Against Accounts Receivables	Resolved
16	Review and Reconcile Changes to Charge Master	Resolved
17	Develop an Assessment and Plan for Information Technology (IT) General Controls	Resolved