

TESTIMONY OF DANIEL W. LUCAS, INSPECTOR GENERAL

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

APRIL 13, 2017

Good morning Chairperson Todd 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's (OIG) fiscal years (FY) 2017 and 2018 budget. With me today to assist in the presentation are Ms. Jaime Yarussi, Deputy Inspector General for Business Management and Dr. James Hurley, Agency Fiscal Officer.

Today, I'd like to touch on four specific areas: (1) FY 2017 expenditures; (2) FY 2018 Budget Request; (3) FY 2018 Budget Recommendation from the Mayor; and (4) FY 2018 Budget Support Act legislative request.

BUDGET OVERVIEW

First, I would like to discuss the uniqueness of the OIG's budget as compared to other District agencies. The OIG's enabling legislation¹ 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 on reallocating any funds from the Inspector General's estimates to other items in the District[s] Budget."

¹ D.C. Code § 1-301.115a(a)(2)(A) (Supp. 2016).

As an OIG professional standard, budget autonomy is imperative to ensuring any OIG operates with integrity, objectivity, and independence (in fact and appearance), in order to combat corruption, fraud, waste, abuse, and mismanagement within the District. As such, I have given careful consideration to the OIG's FY 2018 budget and what I have presented to the Mayor and my testimony today reflects the needs of my office.

FY 2017 BUDGET EXPENDITURES

As I discussed during last year's budget hearing before the Committee on Finance and Revenue, during my tenure, I've focused efforts and resources to reorganize and reinvigorate the OIG. This was done in order to provide more impactful work to our stakeholders within the District, and I've only asked for additional resources when I was sure the need existed. The Mayor reviewed our FY 2017 budget request and recommended a one-time \$1 million NPS enhancement. After subsequent discussions, the OIG was given an additional \$800 thousand in PS enhancements which we elected to take in \$200 thousand increments spread across the 4-year balanced budget presented by the Mayor to address pay compression.

During FY 2017, we have and continue to spend our resources in the most efficient and effective way possible. To date, the OIG has expended approximately 36% of its PS and 47% of its NPS budget. This is far better than the OIG has done in previous years. I would like to highlight some initiatives we began in FY 2017 to ensure that we use all of our resources, including our enhancements.

- First, the OIG contracted with KPMG to complete a risk assessment of the District's procurement system, as required by our enabling legislation.² This is the first time OIG

² D.C. Code § 1-301.115a(a)(3)(E) (Supp. 2016).

responded to this legislative mandate. This engagement will identify high-risk, systemic issues and differing applications of rules and regulations within the District's procurement system. The results will allow District leaders to better understand potential vulnerabilities within the procurement system. While this engagement is not yet complete, I believe it will net very valuable information and will allow us to build upon an already established methodology for understanding vulnerabilities to corruption, fraud, waste, and abuse within the District's procurement system.

- Second, the OIG embarked on a process to wholly upgrade and redefine its IT infrastructure. We completed an IT assessment to ensure that the infrastructure we moved to build was well thought out and planned. The OIG has not had the resources to procure and implement an IT infrastructure upgrade until this fiscal year. We agreed on and are refreshing OIG staffs' hardware including laptops, large printers, and copiers for the agency. We also procured and built a secure private cloud that is FEDRamp compliant, and is a best practice for data security for Inspector Generals' nationally. In collaboration with the Office of the Chief Technology Officer, we are assessing the use and need for Microsoft 365. Finally, we are working to implement our new Investigations Unit case management system.
- Finally, I felt strongly that pay compression be resolved within the Agency. Since 2010, except for cost of living increases, the OIG had not increased the salary of its managerial employees, both ES and MSS. That six-year gap in salary increases created a workforce where the salary of many career service (CS) employees was close to, or sometimes greater than, that of their managerial staff. A continued salary disadvantage would cause the OIG to have difficulty retaining its existing managers and attracting talented and

experienced managers to fill vacancies. My staff worked with the Office of the Chief Financial Officer and the Department of Human Resources to implement salary adjustments for 22 OIG managerial staff at the end of FY 2016 with the enhancement offered in FY 2017. Ultimately, the District government and each citizen benefits from my ability to retain and recruit these professionals as the OIG works to combat fraud, waste, abuse, and mismanagement within the District of Columbia.

To date, the OIG has spent over \$100,000 on much needed and focused training for our employees. OIG staff received training on: leadership; communications; public corruption; interviewing; investigations; fraud examination; audit report message development with the Government Accountability Office; and conducting contract and grant fraud abuse examinations. The OIG's focus during FY 2016 and into FY 2017 was to provide employees with training aligned with their job requirements. Developing staff skills allowed, in part, 11 OIG staff to compete for and earn promotions within the agency.

THE OIG'S FY 2018 BUDGET REQUEST

For FY 2018, the OIG's gross budget request is \$19.3 million, which comprises \$16.2 million in local funds and \$3.1 million in federal grant funds. This is a 3 percent increase over our approved FY 2017 gross budget (\$18.7 million). The increase in our FY 2018 budget request is to support three separate enhancements:

- **Enhancement 1** (\$340,000 in NPS funds): is to augment OIG's FTEs with consultants to support our operational units and objectives.
- **Enhancement 2** (\$486,500 in PS funds): is to provide an additional 5 FTEs to the OIG. This enhancement will add: 2 FTEs to the Audit Unit; 2 FTEs to the Investigations Unit; and 1 FTE to support the Office of General Counsel.

- **Enhancement 3** (\$200,000 in PS funds): is to reinstate the FY 2017 \$800,000 PS enhancement, which the OIG elected to receive over the course of four (4) fiscal years. It was approved in the District’s overall budget beginning in FY 2017, but removed from the MARC in FY 2018.

THE OIG’S FY 2018 RECOMMENDATION FROM THE MAYOR

The OIG’s FY 2018 budget request is not accurately reflected in the budget chapter presented to the Council.³ Our Agency budget request was inadvertently omitted from our budget chapter initially and the FY 2018 proposed budget changes are not reflective of the OIG’s request. However, it is our understanding that the full request, that I just outlined, will be in the Mayor’s errata letter to Council and reflected in the June update of the budget chapters.

As a reminder, our enabling legislation allows the Mayor to comment on our budget submittal and provide recommendations before sending our request to Council. For FY 2018, Mayor Bowser is recommending an enhancement of \$200,000 in PS “to reinstate the FY 2017 PS enhancement”⁴ and an enhancement of \$100,000 in NPS “to support our request for consultants to augment existing staff that conduct audit activities, inspections, and evaluations.”⁵ Overall, the Mayor’s recommendation is \$726,500 less than our request. The budget recommendations from the Mayor do not include the additional FTEs OIG requested (totaling \$486,500) or full support of the requested NPS enhancement (remaining \$240,000). While I appreciate the Mayor’s efforts to enhance OIG’s budget, I hope that Council will support and fund the balance of our requests.

³ Mayor’s submission: FY 2018 gross budget request is \$18,368,064; comprised of \$15,520,513 in local funds and \$2,847,551 in federal grant funds. This is a 1.9 percent decrease over our approved FY 2017 gross budget of \$18,722,457.

⁴ AD0 Budget Chapter 2018a.

⁵ AD0 Budget Chapter 2018a.

FY 2018 BUDGET SUPPORT ACT REQUEST

For FY 2018, the OIG has requested an *Office of the Inspector General Support Fund* (OIG Support Fund). The purpose of this fund is for OIG to retain excess funds remaining in our operating budget at the end of each fiscal year. The fund will be used for capital and/or operating expenses related to supporting legislative mandates including: contracting with subject matter experts (SMEs), technology maintenance and upgrades, and training. My Office estimates that the total of unspent funding is approximately \$300,000 per year and would not earn interest.

If approved for FY 2018, the OIG Support Fund will decrease the need to consider budget enhancements in subsequent years and allow the OIG to work seamlessly between fiscal years to ensure more effective and efficient operations, including audits, investigations, inspections, and evaluations.

This request is supported by the Mayor in the FY 2018 Budget Support Act of 2017 as Subtitle (B) - Office of the Inspector General Operational Projects Fund Establishment Act of 2017.

OIG PLANS FOR FY 2018 AND BEYOND

The funding to support our FY 2018 request will translate into activities visible to the Council, the Executive, OIG stakeholders, and to District residents in the following areas:

- **additional capacity** to address emergent issues and provide oversight to some of the District's largest risk areas;
- **attract and retain** experienced personnel; and
- **maintain IT infrastructure** to provide data security, support case management systems, and enhance the efficiency and effectiveness of all OIG staff.

CONCLUSION

In conclusion, Chairperson Todd and members of the Committee, we will continually seek opportunities to enhance the value we provide to the District, and enhance our practices to ensure we identify and mitigate risks that pose the most serious challenges to District agencies and stakeholders.

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