

TESTIMONY OF IG DANIEL W. LUCAS

BEFORE THE COMMITTEE ON GOVERNMENT OPERATIONS: FISCAL YEAR 2018 PERFORMANCE OVERSIGHT HEARING

Good morning Chairperson Todd and members of the Committee. I am Daniel W. Lucas, Inspector General for the District of Columbia. I am joined today by Marie Hart, my Principal Deputy, and Karen Branson, my General Counsel. Also with us are members of my staff who support the OIG in executing its mission.

I am pleased to testify at today's Performance Hearing to share with the Committee an overview of the OIG; highlight accomplishments in Fiscal Year (FY) 2018 and FY 2019, to date; and discuss the OIG's plans for the remainder of the FY.

Before I begin, I would be remiss in not thanking the incredible OIG staff whose dedication to the District and the OIG mission has resulted in the successes I'm about to share with the Committee and the public. Through their work, the OIG has continued to transform into a world-class Office of the Inspector General. Entering the 5th year of my 6-year term, I am proud to say that the goals I presented to the Council have been substantially realized and the OIG is set for continued success in the years to come. Nrfractions Program Lacked A Strong Internal Control Environment

The OIG's Mission

For those unfamiliar with the OIG's mission, we:

- Conduct independent financial and performance audits,¹ inspection, evaluations, and investigations of District government operations;²
- Keep the Mayor, Council, and District government department and agency heads fully and currently informed about problems and deficiencies and the necessity for and progress of corrective actions;³
- Report expeditiously to the U.S. Attorney when we believe there has been a violation of federal or District criminal law;⁴ and
- Provide leadership, coordinate, and recommend policies to promote economy, efficiency, and effectiveness, to prevent and detect corruption, mismanagement, waste, fraud, and abuse in District government programs and operations.⁵

The OIG's Organizational Design

To meet our mission, I organized the OIG into four (4) inter-related divisions (Risk Assessment and Future Planning (RAFP), Operations (which includes the OIG's four (4) external facing units), Business Management (BM), and Quality Management (QM). These divisions are supported by the Office of the General Counsel (OGC). This arrangement facilitates resource allocation and synergistic information flow to ensure we accomplish the OIG's mission in an efficient and effective manner.

OIG'S FY 2018 and FY 2019 Accomplishments, To Date

The OIG experienced tremendous success during the performance period. First, as required by law,⁶ the OIG's Inspections and Evaluations Unit (I&E), Investigations Unit (IU), and Audit Unit (AU), underwent a rigorous triennial peer review conducted by the Association of Inspectors General (AIG). The peer review team concluded that all three units meet "all relevant AIG, [Government Accountability Office] GAO, and [Council of the Inspectors General on Integrity and Efficiency [CIGIE] standards." The peer review team noted:

- "Staff morale improved significantly since the previous Peer Review [conducted in August 2015], with the staff members having a clear sense of direction and being more optimistic about the OIG's future successes."
- The OIG has "achieved great success despite having unique jurisdiction and responsibility unlike other local government offices of inspector general."

During the performance period, the OIG's Medicaid Fraud Control Unit (MFCU) closed out all remaining recommendations from its last onsite review conducted by the U.S. Department of Health and Human Services Office of Inspector General (HHS OIG).

Overall, the success of the FY 2018 peer review and closeout of the HHS OIG onsite review is an objective assessment of the value and credibility the OIG's work provides to the District.

Now I would like discuss key results from the OIG's four Operational Units.

Audit Unit (AU)

- AU conducts proactive work through financial and performance audits. AU published:
- 5 reports authored by OIG staff;
- 25 recommendations to District agencies to remedy findings discovered during our work; and
- 17 reports written by contractors, whose contracts were administered by AU staff.

The outcomes of AU's work resulted in:

- \$8.650 million in funds that could be recovered by District agencies; and

- \$2.7 million in funds that could be put to better use, meaning that these resources could be used more efficiently by District agencies.

A notable report published during the performance period was the Report on the Examination of the Capital Funding Agreement [CFA] Between the Washington Metropolitan Area Transit Authority (WMATA) and the District of Columbia. AU found that the District had overpaid WMATA \$8.1 million as a result of miscalculations.

Inspections and Evaluations Unit (I&E)

I&E also conducts proactive work through inspections and special evaluations.

I&E published:

- 5 reports; with
- 29 recommendations made to District agencies.

A notable evaluation published during the performance period was the Evaluation of the Buzzard Point and St. Elizabeths Solicitations. I&E found incomplete contract files, departures from common contracting practices, and a lack of documentation to support key decisions. I&E was able to assist the Department of General Services in identifying several improvements to foster transparency and consistency in their contracting practices.

Medicaid FraudControl Unit (MFCU)

The MFCU is one of 52 MFCUs that operate in individual states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. The MFCU receives a portion of its operating budget through a grant from the HHS OIG. Its mission is complementary to the other OIG Units, in that it conducts investigative work for two distinct categories of offenses: (1) fraud committed against the District Medicaid program by healthcare providers; and (2) physical and sexual abuse, criminal neglect, and financial exploitation of persons receiving Medicaid-funded services or residing in Medicaid-funded healthcare facilities.

During FY 2018, the MFCU initiated an internal restructuring that has resulted in the conversion of several attorney positions into criminal investigator positions. With the addition of more criminal investigators, the MFCU will be able to reduce criminal investigator caseload from 25 cases per investigator to about 11 cases per investigator, thus improving operating efficiency and ultimately benefiting the District's Medicaid program.

MFCU results during FY 2018 were:

- 38 investigations opened concerning fraud committed against the District's Medicaid Program; and
- 18 investigations opened concerning alleged abuse, neglect, or sexual assault alleged to have been committed against District Medicaid beneficiaries.

The outcomes of MFCU' s work resulted in:

- Continued coordination with other MFCUs regarding ongoing matters and participating in multi-jurisdiction qui tam cases. As a result of these qui tam cases, the MFCU brought back just under \$165 thousand in civil recoveries for the District.
- Participation in 10 outreach events designed to inform District residents of its ability to investigate matters related to the District's Medicaid program. As a result, the public has a better understanding of how the OIG helps some of the District's most vulnerable residents.
- \$9.732 million in criminal and civil recoveries, and 4 convictions.

A notable investigation during the performance period concerned an owner of a company that provided durable medical equipment to District Medicaid beneficiaries. The owner was found to have devised and executed a scheme to submit false and fraudulent claims to Medicaid for durable medical equipment that she knew had not been purchased or provided to Medicaid beneficiaries. As a result of this scheme, the owner fraudulently obtained more than \$9.4 million in District of Columbia Medicaid payments. This individual will be sentenced next month in District Court.

Investigations Unit (IU)

IU also conducts reactive work through criminal and administrative investigations. During the performance period, IU focused on complex public corruption and financial fraud matters. These complex matters require tremendous support from OIG staff as well as our external partners, such as the FBI and the U.S. Attorney's Office (USAO).

IU results during FY 2018 were:

- 34 investigations opened;
- 12 investigations accepted by the USAO for prosecution; and
- 14 matters referred to the Board of Ethics and Government Accountability.

The outcomes of the work resulted in:

- \$1.8 million in restitution, orders, and fines;
- \$78 thousand in referrals to the Office of the Attorney General for civil recoupment; and
- 10 convictions.

A notable investigation during the performance period involved a now former Office of the State Superintendent for Education (OSSE) employee and contractor who engaged in multiple bribery schemes. The employee was found to have received money and other things of value in exchange for approving invoices reflecting work that was not performed. The employee was sentenced in July 2018 to 56 months in prison, was ordered to pay \$488,311 in restitution to OSSE, and received a forfeiture money judgement of \$100,400. The contractor was sentenced to 18 months in prison, was ordered to pay \$308,311 in restitution to OSSE, and received a \$308,311 forfeiture money judgement.

I encourage everyone to read the OIG's FY 2018 Report on Activities for our statistical highlights and an in-depth review of all FY 2018 activities.

With the FY 2019 performance period underway, I am pleased to report the OIG is on track to meet and/or exceed our FY 2018 outputs and outcomes. During the first quarter of FY 2019:

- AU has issued 3 audit reports, with an additional 2 draft reports at District agencies for comment;
- I&E has issued 1 report of special evaluation, with 3 draft reports ready to be sent to District agencies for comment;
- IU has obtained \$329 thousand in receivables and recoveries, and obtained 4 convictions; and
- The MFCU has obtained one conviction, and 2 civil settlements.

The successes I have touched on this morning are attributable to the entire OIG team. These results would not be possible without the work of our dedicated staff, who work tirelessly to help District agencies improve efficiency and effectiveness, and find and eliminate fraud, waste, abuse, and mismanagement in District programs.

Plans for the Remainder of FY 2019

Now, I'd like to discuss some of our initiatives of the fiscal year.

The first two initiatives will assist the District in assessing and improving its internal control environment. The OIG is neither designed nor resourced to address all internal control risks in the District. District leaders play an important role in designing and implementing internal controls that support the assurance of success within their programs. This role is described in the Standards for Internal Control in the Federal Government (known as the Green Book), published by the Government Accountability Office (GAO). The Green Book states "management is directly responsible for all activities of an entity, including the design, implementation, and operating effectiveness of an entities internal control system."⁷ Although the Green Book was designed for federal entities, it may also be adopted by state, local, and quasi-governmental entities. The District has a tremendous opportunity to improve its organizational outcomes by leveraging the principles of the Green Book. I plan to assist District leaders by: (1) reaffirming roles and responsibilities as they

relate to internal controls; and (2) providing additional support to help District leaders better understand their internal control environment.

First, to help District leaders in understanding their role as it applies to internal control, the OIG is planning to host various leaders and oversight practitioners from across the District at what I hope to be an annual Oversight Symposium. The objectives for this symposium are to: (1) assist District leaders in understanding their responsibilities in maintaining a strong control environment; and (2) discuss best practices with District oversight practitioners to enhance their oversight abilities. The OIG will also continue to reinforce the need for a strong internal control environment during our agency presentations, entitled "OIG 101." It is my belief that through a shared understanding of the system of internal controls, District agencies will ultimately be more effective and efficient in accomplishing their mission.

Second, to help District leaders in assessing their internal control environment, the OIG is developing an internal control capability maturity matrix assessment program. This program will help District leaders assess their agency's internal control environment, and subsequently make improvements as needed.

The final initiative the OIG is undertaking is to address the gap between the OIG's independent investigative responsibilities and its law enforcement authorities. The gap refers to the inability to conduct investigative tasks, such as the carriage of firearms outside the District, making arrests upon the presentation of probable cause, and equipping agents with secondary weapons. This issue was identified and remediated by similarly-situated OIGs in 2002. However, my Office's enabling legislation has not since caught up. Closing this gap assures the District is able to independently conduct investigations of alleged criminal misconduct related to District government programs, as required by our enabling legislation. We are currently working with the Mayor and her staff to put forth legislation to address this issue.

I look forward to discussing the status of these initiatives in future hearings.

Conclusion

In conclusion, Chairperson Todd and members of the Committee, the OIG had a productive 2018. Internally, we have seen vast improvements in how we conduct our work. Externally, we have seen the value that OIG work provides to the District. I am excited to build upon these accomplishments, in order to identify and mitigate risks that pose the most serious challenges to District operations, and to create an OIG that continually seeks opportunities to improve its performance.

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

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

2 Id. at (a)(3)(D).

3 Id. at (a-1)(3).

4 Id. at (f).

5 Id. at (a-1)(2).

6 Id. at (f-5).

7 U.S. GOVERNMENT ACCOUNTABILITY OFFICE, STANDARDS FOR INTERNAL CONTROL IN THE FEDERAL GOVERNMENT, GAO-14-704G § OV2.14 (Sept. 2014), available at, <https://www.gao.gov/products/GAO-14-704G> (last visited Feb. 27, 2019).