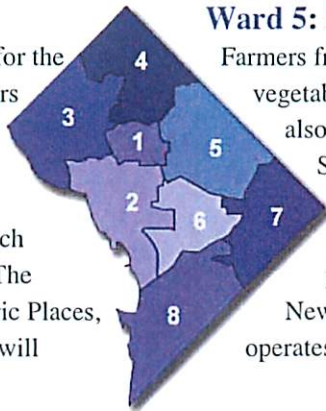




### **Ward 1: Renovated Howard Theatre:**

On April 12, 2012, there was a grand opening gala for the newly restored Howard Theatre, featuring performers including Smokey Robinson, Madeleine Peyroux, Wanda Sykes, and Savion Glover. The gala also served as a benefit concert to raise funds for the Howard Theatre Culture and Education Center, which is to be built behind the newly renovated Theatre. The Theatre, which is on the National Register of Historic Places, is operated by Blue Note Entertainment Group and will feature a variety of events.



### **Ward 5: Brookland Farmers Market:**

Farmers from Pennsylvania and Virginia sell fruits, vegetables, baked goods, plants and flowers. The market also serves as a distribution point for two Community Supported Agriculture programs. The Tuesday Market is at 10th and Otis Streets NE near the Brookland Metro Station and operates from 4 p.m. to 7 p.m. The Sunday Market is at 12th and Newton Streets, NE in the Brookland neighborhood and operates from 10 a.m. to 2 p.m.

### **Ward 2: Farragut Square:**

Farragut Square is a formal urban park located a short distance from the White House in the downtown D.C. area. A bronze statue of civil war hero Admiral David G. Farragut stands on a granite pedestal in the center of the park. The park, among other things, is used as a pass-through and resting stop by office workers, as well as those who come to the park to enjoy picnic lunches or to attend concerts and movies in the summer. In recent years, D.C. food trucks can be found at the park daily during lunch hours.

### **Ward 3: Tenley Circle:**

Tenley Circle is a traffic circle in the Northwest neighborhood of Tenleytown, named after tavern owner John Tennally. The circle is bounded by St. Ann Roman Catholic Church, the Tenley campus of American University and Wisconsin Avenue Baptist Church. The circle serves as an important transportation hub for Tenleytown residents and is one of the few circles in the city that has evolved with time allowing a dominant roadway, Wisconsin Avenue, to pass through the center without having drivers go around the circumference.

### **Ward 4: Petworth Library:**

With its opening on January 27, 1939, the Petworth Library became the sixth neighborhood library to open in the District, and the third to be funded strictly through public appropriations. A Georgian revival-style building, the library was designed by Nathan C. Wyeth, D.C. Municipal Architect. Sited on public property donated by the D.C. School Board, the library stands adjacent to MacFarland Middle School and Theodore Roosevelt High School.

### **Ward 6: Douglas Memorial United Methodist Church:**

Located at 800 11th Street, N.E., the Douglas Memorial United Methodist Church is a stately brick building built in the Romanesque revival-style. The church was established in 1876, and continues to be a vibrant center of the surrounding neighborhood.

### **Ward 7: Anacostia River:**

The Anacostia River flows from Prince George's County in Maryland into Washington, D.C., where it joins with the Washington Channel to empty into the Potomac River at Buzzard Point. The name Anacostia derives from the early history of Nacotchtank, a settlement of Necostan or Anacostan Native Americans on the banks of the river. In recent years, private organizations, local businesses, and local and federal governments have made joint efforts to reduce the pollution levels in the river in an effort to protect the Anacostia watershed.

### **Ward 8: Saint Elizabeths Hospital:**

Established in 1855 to serve individuals with mental illnesses, St. Elizabeths was the first large-scale, federally run psychiatric hospital in the United States. At its peak, it had a fully functioning medical-surgical unit and offered accredited internships and psychiatric residences. The East Campus and hospital operations were transferred from federal control to the District of Columbia in 1987. The West Campus is currently under redevelopment by the GSA and is expected to house several federal agencies.

*\*Cover photograph of Nationals Stadium provided by Kenneth M. Wyner Photography 2012.*



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## MESSAGE FROM CHARLES J. WILLOUGHBY INSPECTOR GENERAL

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On behalf of the District of Columbia Office of the Inspector General (OIG), I am pleased once again to present the Report on the Activities of the Office of the Inspector General for the fiscal year (FY) ending September 30, 2012. 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, <http://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 and innuendo are encouraged and allowed to flourish.

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

**Audit Division (AD).** For FY 2012, the Audit Division issued 28 reports with total potential monetary benefits of approximately \$75 million. Compared to Audit Division costs of approximately \$3 million, the return on investment for audits performed by OIG audit staff exceeds \$25 for each dollar invested. The division met or exceeded all annual performance measures.

FY 2012 continued to present the city's leadership with significant fiscal challenges that are likely to continue into the foreseeable future, as a direct result of the nation's economic decline. As in past years, our priorities concentrated on programs and initiatives that posed serious challenges and risks for the District's executives, managers, citizens, and stakeholders. During FY 2012, the District continued to experience budget shortfall challenges caused primarily due to a reduction in estimated revenues to cover estimated expenditures. The District was affected in FY 2012 by high unemployment, falling and stagnant real estate values, combined with increasingly high demands on social and support services. Reduced revenue streams placed added stress on the city's limited resources and heightened the importance of mitigating the risks of financial losses. However, District leaders continued to take a proactive approach to address the challenges, such as city-wide spending cuts, which resulted in a balanced budget for the District.

For FY 2012, our goals remained focused on evaluating risk areas and programs that represent issues of critical concern to the Mayor and D.C. Council. Those risks include Medicaid Programs, Public Education Programs, Vulnerable Populations, Procurement and Contracting, Citizen Safety and Protection, Workforce Administration, and conducting audits that assess whether the District is effective in levying and collecting tax-based revenue, acting on all grant-based revenue opportunities, executing reimbursement programs within

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## MESSAGE FROM CHARLES J. WILLOUGHBY INSPECTOR GENERAL

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agencies, and optimizing other revenue-generating activities. Operating consistently with our goals, we issued eight performance audit reports that addressed Medicaid issues, such as Medicaid claims of the Department of Health Care Finance; citizen issues related to the District's condominium conversion fees; District of Columbia Public Schools (DCPS) truancy; and noncompliance with contract requirements to perform cost analyses. 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 2011 CAFR on February 2, 2012, the city received its fifteenth consecutive, unqualified opinion on its financial statements.

**Inspections and Evaluations Division (I&E).** During FY 2012, the Inspections and Evaluations Division (I&E) published 10 reports: 6 Reports of Special Evaluation, 3 Management Alert Reports (MARs), and 1 Report of Inspection (ROI). Collectively, these reports presented District agency directors, their managers, and other stakeholders with 53 distinct findings and 94 actionable recommendations aimed at mitigating noted deficiencies and/or enhancing District government operations.

The Reports of Special Evaluation published by I&E during FY 2012 addressed matters pertaining to members of highly vulnerable populations. Most notably, I&E issued a January 2012 report entitled *Sufficiency of District Agency Services Provided to a District Resident*. The resident's death occurred in August 2011 after a several-years-long decline into self-neglect, dangerously unhealthy living conditions, and aberrant behavior. The fact that the resident had interactions with representatives from District government entities generated questions about the sufficiency of the District's well-intentioned efforts to help. The OIG initiated this review to determine any need for change and improvement in the manner District services are dispensed.

I&E also published a Report of Inspection of the Department of Human Services Adult Protective Services division (APS) that emphasized the need for greater collaboration between APS and the Metropolitan Police Department (MPD), and improved APS procedures on subjects such as case documentation and interviews of victims and suspected perpetrators of abuse, neglect, and financial exploitation.

I&E issued multiple reports in conjunction with a special evaluation of selected District homeless shelters and the Office of Shelter Monitoring, the entity in the Department of Human Services that is responsible for oversight of conditions in homeless shelters, the services they provide their clients, and the contractors who operate them.

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## MESSAGE FROM CHARLES J. WILLOUGHBY INSPECTOR GENERAL

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In another report, I&E addressed operational deficiencies in the MPD division that investigates physical and sexual abuse of children, conducts missing children investigations, and processes juvenile arrestees. Meanwhile, Management Alert Reports focused on issues with wide-ranging implications for District residents, such as the condition and operability of the District's primary fireboat, the John H. Glenn, Jr., and mandatory drug and alcohol testing of District employees in "safety sensitive" positions, i.e., those who have direct contact with children and youth.

The breadth and complexity of I&E's work are evident from the range of projects completed this year. The I&E Division remains attuned to issues that impact, or have the potential to impact, the health and safety of both District government employees and vulnerable District residents.

**Investigations Division (ID).** During the past fiscal year, ID special agents investigated a wide variety of allegations of criminal conduct by District employees, contractors, and members of the public, as well as administrative misconduct by District employees. The ID's investigations included: theft, submission of false invoices, supplementation of salary, bribery, fraudulent receipt of District benefits, providing confidential information to a solicitation respondent, and improper use of an official District government position. Our special agents often conducted the criminal investigations jointly with the United States Attorney's Office for the District of Columbia (USAO) and other investigative entities, including the Federal Bureau of Investigation (FBI), the Internal Revenue Service, and various federal OIGs.

Substantiated administrative investigations often result in a Report of Investigation (ROI) that summarizes the investigation and recommends appropriate administrative action. In FY 2012, the ROIs issued included ones concerning investigations into cheating at the District of Columbia Public Schools (DCPS), the Office of the Chief Financial Officer's (OCFO) lottery contract award, and lead in the District's water.

**Medicaid Fraud Control Unit (MFCU).** The Medicaid Fraud Control Unit (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 2012, the MFCU processed 3,241 incoming unusual incident reports, complaints, or referrals, initiated 191 investigations, and closed 107 matters. Through trial or settlement, the MFCU attained 13 substantive dispositions of outstanding fraud, abuse, neglect, and sexual assault cases, including a case in which the defendant was convicted of 35 separate criminal violations. The MFCU also recovered substantial monies in restitution to the Medicaid program through participation in eight civil resolutions. In FY 2012, the MFCU

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## **MESSAGE FROM CHARLES J. WILLOUGHBY INSPECTOR GENERAL**

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recouped \$3,799,116 in civil and criminal fraud settlements, thereby generating more than \$4.50 for every District dollar of funding.

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 the vein of recognizing the dedication, conscientiousness and hard work of OIG staffers, on a somewhat personal and somber note, I want to note the passing of longtime and beloved OIG staffer, Grace Price, during this reporting period. Ms. Price, who served as the Administrative Officer of the office for over nineteen years, was a mainstay of the office and represented the best attributes of public service. For this reason, she is sorely missed and accordingly, this year's annual report is dedicated to her memory and the fine qualities she exemplified.

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 as opposed to baseless, unfounded, and unsubstantiated assertions and/or allegations; and refraining from using inflammatory language, inference and innuendo.

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## MESSAGE FROM CHARLES J. WILLOUGHBY INSPECTOR GENERAL

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Accordingly, all, including the press and media, are strongly encouraged to thoroughly read and comprehend this and all of our annual reports, as well as the other reports of this office, all of which are readily available at the OIG website of <http://www.oig.dc.gov>. In so doing, I cannot help but feel that we all will be the better and as expressed in my welcoming remarks on the OIG website, in effect light candles toward making the District government one that does the most good for all.



December 1, 2012

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**Grace Y. Price**  
**In Memoriam**  
**Office of the Inspector General**  
**March 12, 1993 – April 17, 2012**

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## TABLE OF CONTENTS

---

RISK ASSESSMENT .....	1
GENERAL ACTIVITIES .....	9
Mission.....	11
Statutory Responsibilities .....	11
Organization.....	15
Budget and Personnel .....	15
Training.....	16
Senior Staff .....	16
Testimony by the Inspector General for Fiscal Year 2012 .....	18
Press Highlights for Fiscal Year 2012 .....	18
Visits by Foreign Delegations.....	18
Speaking Engagements .....	18
Website .....	18
Freedom of Information Act (FOIA) .....	19
FISCAL YEAR 2012 AUDIT AND INSPECTION PLAN .....	21
ACTIVITIES OF THE AUDIT DIVISION .....	25
Organization.....	27
Credentials and Qualifications.....	28
Acquiring, Developing, and Retaining Talent .....	28
Professional Associations and Organizations .....	29
Peer Review .....	29
Continuation of Liaison Activity .....	29
Audit Performance Measures to Evaluate Progress.....	30
Summary of Potential Benefits Resulting from Audits .....	30
Audit Agency/Office Coverage .....	31
Audit Follow-Up.....	31
Fiscal Year 2012 Audit Recommendations .....	32
Comprehensive Annual Financial Report (CAFR).....	32
Significant Audit Findings.....	33
Audit Highlights by Theme .....	34
ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION .....	41
Organization and Mission .....	43
Credentials and Qualifications.....	44
Inspection Standards .....	44
Performance Measures to Evaluate Progress.....	44
Inspection Activities and Reports Issued.....	45
ACTIVITIES OF THE INVESTIGATIONS DIVISION.....	51
Organization.....	53
Responsibilities .....	54
Performance Measures to Evaluate Progress.....	55
Investigative Workload and Priorities .....	55

---

## TABLE OF CONTENTS

---

Investigations Closed.....	57
Hotline Usage.....	57
Summary of Prosecutorial Activity .....	57
Restitution and Recoveries .....	58
Investigative Reports .....	58
Peer Review .....	58
Significant Investigations.....	59
Referrals .....	64
Significant Results from the Referral Program.....	64
ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT.....	67
Organization and Mission .....	69
Responsibilities .....	70
Fraud .....	73
Abuse and Neglect .....	79
Summary of Management Alert Reports Issued.....	81
Statistical Summary .....	82
Conclusion .....	82
APPENDICES .....	83
A. Fiscal Year 2012 Testimony by the Inspector General.....	85
B. Fiscal Year 2012 Press Highlights .....	87
C. Fiscal Year 2012 FOIA Reporting .....	91
D. Audit Articles and Abstracts Published in Fiscal Year 2012.....	93
E. Fiscal Year 2012 Audit Division Performance Measure Statistics .....	95
F. Fiscal Year 2012 Audit Coverage.....	97
G. Fiscal Year 2012 Audit Cost and Recommendation Statistics .....	99
H. Fiscal Year 2012 Audit Report Summaries .....	103
I. Fiscal Year 2012 Inspections and Evaluations Division Performance Measure Statistics.....	113
J. Fiscal Year 2012 Inspections and Evaluations Division Findings and Recommendations Statistics .....	115
K. Fiscal Years 2011 & 2012 Investigations Division Performance Measure Statistics .....	117
L. Investigations Division Performance Statistics Fiscal Years 2009 – 2012.....	119
M. Fiscal Year 2012 Investigations Division Cases Closed by Agency .....	121
N. Fiscal Year 2012 Investigations Division Hotline Statistics by Quarter .....	123
O. Fiscal Year 2012 Investigations Division Referral Statistics .....	125
P. Fiscal Year 2012 Investigations Division Referral Resolutions .....	129
Q. Fiscal Year 2012 Medicaid Fraud Control Unit Performance Measure Statistics.....	131
R. Medicaid Fraud Control Unit Performance Measure Statistics Fiscal Years 2011 - 2012.....	133
S. Distribution List.....	135

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## **RISK ASSESSMENT**

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## **RISK ASSESSMENT**

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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. Our priorities this past year concentrated on programs and initiatives that posed serious challenges and risks for the District. The District continues to weather budget shortfall challenges caused primarily due to a reduction in estimated revenues to cover estimated expenditures. A tightening of revenue streams due to falling and stagnant real estate values, combined with increasingly high demands on social and support services, placed added stress on the city's limited resources, which heightens the importance of mitigating the risks of financial losses. To this end, our goals remain focused on evaluating risk areas and programs that represent issues of critical concern to the Mayor and D.C. Council to include Medicaid Programs, Public Education Programs, Vulnerable Populations, Procurement and Contracting, Citizen Safety and Protection, Workforce Administration, and conducting audits that assess whether the District is effective in levying and collecting tax-based revenue, acting on all grant-based revenue opportunities, executing reimbursement programs within agencies, and optimizing other revenue-generating activities.

For FY 2012, we identified agencies and programs considered material in terms of service delivery and fiscal impact, and in order to determine 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 if the problem exists in their agencies and initiate appropriate corrective measures.

### **Public Education Programs**

District of Columbia Public Schools (DCPS) continues to be identified as a high-risk area and poses significant financial and performance risks for the District. Accordingly, audits of DCPS included in our Audit and Inspection Plan for FY 2013 represent suggestions made by elected officials, DCPS officials, and our research of previous audits addressing various

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## RISK ASSESSMENT

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education issues. 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 the tools to make sufficiently sound decisions and effect positive improvements. Our planned audits will address hiring practices, procurement practices, consulting services contracts, special education programs, and grant revenue.

### **Medicaid Program**

The District's Medicaid Program will spend over \$2.5 billion on healthcare in FY 2013. The Medicaid Program has been of continuing concern to the District for some time and has been identified in recent Management Reports related to the Comprehensive Annual Financial Report (CAFR) as a significant deficiency affecting the District's financial management infrastructure.

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. OIG audit plans have consistently addressed the risks posed by the Medicaid program, continually reviewing Medicaid program systemic weaknesses and internal controls to identify and address potential fraud indicators and Medicaid program functions susceptible to abuse. Accordingly, our plan for Medicaid coverage is citywide and comprehensive. Medicaid audit topics include: payment of claims; eligibility of recipients; provider rates; durable medical equipment/prosthetics, orthotics, and supplies; contracts; third party liability; and human care agreements.

In FY 2012, we issued an audit report addressing Medicaid entitled, *Audit of Medicaid Claims at the Department of Health Care Finance*. Continuing into FY 2013, we have ongoing audits concerning Medicaid/Alliance eligibility; Medicaid administrative services contracts; human care agreements; nursing home performance and administrative salaries; existence of durable medical equipment/prosthetics, orthotics, and supplies; Medicaid state plan; and reprocessing and resubmitting of denied Medicaid claims.

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.

Beyond law enforcement, the MFCU engages in a number of long-term efforts to reduce risks. Staff from the MFCU work closely with stakeholders and initiate frequent contacts to

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## RISK ASSESSMENT

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make programs more resistant to fraud. Outreach was a key aspect of our deterrent efforts through contact with the healthcare industry, other law enforcement agencies, and the general public.

### **Vulnerable Populations**

In FY 2012, the MFCU issued three Management Alert Reports (MARs) related to protecting the Medicaid program or vulnerable citizens. One MAR addressed billing practices by hospice care providers and recommended that the Department of Health Care Finance (DHCF) issue written guidance mandating several changes to the certification forms used to justify payment of hospice benefits on behalf of Medicaid recipients. A second MAR addressed the Metropolitan Police Department's reporting of incidents involving vulnerable citizens who live in group residences such as community residence and long-term care facilities and recommended that MPD implement several changes in its procedures to ensure that all such incidents are properly documented in written reports that are retrievable and available for use by other agencies, including the MFCU, in other investigations related to those incidents. A third MAR addressed the safety of vulnerable citizens being transported on Medicaid-funded transportation vehicles, and included recommended changes to better protect those citizens when they are in the care of transportation providers.

The majority of reports I&E published in FY 2012 targeted matters and programs pertaining to members of vulnerable populations. The most notable example is the January 2012 report entitled *Sufficiency of District Agency Services Provided to a District Resident*, which analyzed multiple District entities' efforts to help the resident over a period up until his death in August 2011. I&E also published a report of inspection that focused on the Department of Human Services Adult Protective Services division, one of the entities that interacted with and tried to assist the individual. An I&E special evaluation of conditions in and the District's oversight of homeless shelters resulted in the publication of three distinct reports; I&E expects to publish additional shelter-specific reports in FY 2013.

### **Citizen Safety and Protection**

I&E issued several reports addressing aspects of the District's first-responder agencies: the Metropolitan Police Department (MPD) and the Fire and Emergency Medical Services Department (FEMS). I&E's November 2011 Report of Special Evaluation of MPD's Youth Investigations Division (YID) cited deficiencies in YID's handling of investigations of physical and sexual abuse and missing children. A MAR issued during fieldwork for I&E's special evaluation of issues pertaining to criminally-involved youths who abscond notified management officials that a committee established by District law and responsible for reviewing cases of serious crimes committed by juveniles in abscondence had not yet convened, let alone staffed with members. I&E's March 2012 MAR, *D.C.'s Primary Fireboat is 50 Years Old and In Need of Thorough Assessment; FEMS Apparently Has No*

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## RISK ASSESSMENT

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*Strategy For Replacing This Critical, Outdated Apparatus*, presented numerous concerns with the condition and operability of the fireboat, a vessel that would be called upon to support numerous firefighting and disaster response operations along the Potomac and Anacostia rivers.

### **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 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 operations at various District agencies.

To maintain the confidence and trust of District stakeholders, the procurement process must provide for quality products and services at reasonable prices. Accordingly, the OIG continues with its initiative to audit procurement and contract administration on a continuous basis consistent with the mandates of the OIG statute. During FY 2012, District agencies spent more than \$1.2 billion to procure a variety of goods and services. Therefore, our audit procurement division continues to place added emphasis on persistent procurement problems and allegations of procurement abuse.

In FY 2012, we issued four performance audit reports that addressed an assortment of procurement issues including: construction contracts awarded under the American Recovery Reinvestment Act; noncompliance with the requirements to perform cost analyses on awarded contracts; the information technology staff augmentation contract for the Office of the Chief Technology Officer; and the report on exercising information technology staff augmentation contract option year 4.

### **Workforce Administration**

It is important for the District to maintain integrity in its hiring processes and require its employees to adhere to all applicable rules regarding eligibility for District employment. The D.C. Department of Human Resources (DCHR) is charged with verifying District 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 submit appropriate proofs of District residency and/or domicile. Despite these requirements, specific matters have come to the attention of the OIG indicating that DCHR may not have appropriate mechanisms in place to ensure that all verifications are

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## **RISK ASSESSMENT**

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conducted thoroughly and at the appropriate point in the hiring and/or employment process. The OIG has brought these specific matters to DCHR's attention as they have arisen, and will continue to hold DCHR accountable for verifying District residency and/or domicile for applicants and employees.

Having already published two reports the previous year pertaining to the Department of Employment Services' Office of Unemployment Compensation (OUC), I&E concluded its special evaluation of DOES in July 2012 by issuing a report that assessed whether OUC was conducting the necessary verifications to ensure that unemployment benefits are issued appropriately and legitimately to qualified recipients.

Additionally, FY 2013 planned audits include a review of the District's strategic planning and performance measures; controls of overtime at the Department of Public Works; ethics awareness and training for District employees and prospective contractors; MPD overtime expenditures resulting from mandated court appearances; 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 paid from the General Fund. For FY 2013, District local source revenue is forecasted to be \$5.9 billion. Further, the Government Accountability Office, as well as District officials, have drawn attention to the structural imbalance in the District's revenue system, which limits the District's ability to generate additional revenue. Thus, 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 2013 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; the tax appeal process; and commercial mortgage recordation fees.

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## **GENERAL ACTIVITIES**

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## GENERAL ACTIVITIES

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### MISSION

In accordance with D.C. Code § 1-301.115a (2011), the District of Columbia Office of the Inspector General's (OIG) mission encompasses the following activities:

- Conduct and supervise inspections, audits, and investigations, which relate 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

The OIG is a subordinate agency within the executive branch of the District government and reports administratively to the Executive Office of the Mayor (EOM). However, one of the distinguishing characteristics of the OIG is its statutory requirement to execute its mission independently. Independence is both fundamental and critical to the OIG's mission because it ensures the integrity and credibility of the OIG's findings and recommendations. Accordingly, the OIG conducts its audits, inspections, and investigations exclusive of outside interference or influence. The OIG's independence is further reinforced through 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 OIG statute, D.C. Code § 1-301.115a (2011), charges the OIG with responsibility to perform audits, inspections, and investigations as requested by the Mayor or on the Inspector General's initiative when deemed necessary or desirable. If the OIG finds reasonable grounds to believe there has been a violation of federal or District criminal law, the Inspector General reports the evidence of criminal misconduct to the U.S. Department of Justice; in these instances, the OIG also forwards to the Mayor any report regarding the evidence, if appropriate, and within a reasonable time period. In cases of administrative misconduct, the

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## GENERAL ACTIVITIES

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Inspector General refers evidence of the same to the Mayor or the appropriate agency head. Additionally, the OIG forwards any audit, inspection, or investigative report of misconduct or unethical behavior to the appropriate authority.

The OIG discharges several other statutorily mandated responsibilities. These responsibilities include the following:

- Independently initiating and conducting fiscal and management audits of District government operations.
- 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.

OIG auditors, inspectors, and investigators rely upon several statutory “tools” to accomplish the OIG’s mission. Principal among these is the agency’s statutory access to the records, accounts, documents, and property of other agencies within the executive branch of the District of Columbia government. The OIG also is authorized to issue subpoenas for witness testimony and documentation in connection with any matter under investigation; if necessary, the OIG may enforce its subpoenas in the District of Columbia Superior Court. District government employees and contractors have a statutory duty to cooperate with an OIG request for documents or testimony. In cases where there is a failure to comply, the Inspector General may recommend administrative or adverse action against the employee or contractor, including termination of employment or the contractual relationship.

### CHRONOLOGY OF LEGISLATIVE CHANGES AFFECTING THE OIG

The OIG’s current set of responsibilities are a culmination of a series of federal and local legislative efforts. The OIG’s statutory duties were established in 1986 by the D.C. Procurement Practices Act of 1985 (D.C. Law 6-85, effective Feb. 21, 1986). Approximately 10 years later, Congressional legislation - the D.C. Financial Responsibility and Management Assistance Act of 1995, Pub. L. No. 104-8, § 303 (adopted Apr. 17, 1995) - substantially modified the OIG’s responsibilities. The D.C. Council subsequently enlarged the OIG’s law enforcement powers in 1999 via the Office of the Inspector General Law Enforcement Powers Amendment Act of 1998 (D.C. Law 12-190, effective Mar. 26, 1999), which

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## GENERAL ACTIVITIES

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empowered 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.

In 2000, the D.C. Council's Office of the Inspector General Powers and Duties Amendment Act of 1999 (D.C. Law 13-71, effective Apr. 5, 2000) made several changes to the OIG's statute. Specifically, the Act: 1) 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) gave 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 amended 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, who must now possess 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. Additionally, 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. However, the legislation allows an Inspector General to substitute the legal experience prerequisite with either: 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) possession of 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 experience in the practice of public accounting.

In FY 2005, the D.C. Council instituted the Inspector General Appointment and Term Clarification Amendment Act of 2004 (D.C. Law 15-212, effective Dec. 7, 2004), which added two new sections to the OIG statute. First, the legislation provides that the Inspector General appointed after November 4, 2003, will serve until May 19, 2008, and that the terms of each succeeding Inspectors General will expire every 6 years thereafter. Second, in any

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## GENERAL ACTIVITIES

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non-control year, the Inspector General shall be removed only for cause by the Mayor with the approval of two-thirds of the Council.

In FY 2007, 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). Prior to this legislative enactment, the OIG statute granted the Mayor authority to set the annual rate for the Inspector General's salary, so long as the rate did not exceed level IV of the Executive Schedule. The Act removed the Executive Schedule cap and permits the Mayor to determine the Inspector General's annual salary, subject to the D.C. Council's review and approval.

### **FY 2012 LEGISLATIVE ACTION REGARDING THE OIG'S JURISDICTION**

The Office of Risk Management (ORM) enacted a new Chapter 1 to replace the existing chapter in Title 7 of the District of Columbia Municipal Regulations (DCMR) through issuance of final rulemaking in the District of Columbia Register on July 27, 2012. The amendments to Chapter 1 support ORM's actions to, *inter alia*, reform the Public Sector Workers' Compensation Program (PSWCP). To that end, 7 DCMR § 139.3 mandates that PSWCP officials refer evidence to the OIG where a District employee fraudulently reports the recurrence of a prior injury for which the employee has received District indemnity compensation; or evidence of the employee's intent to bring a recurrent injury upon him or herself after resuming employment following a prior injury resulting in receipt of District indemnity compensation.

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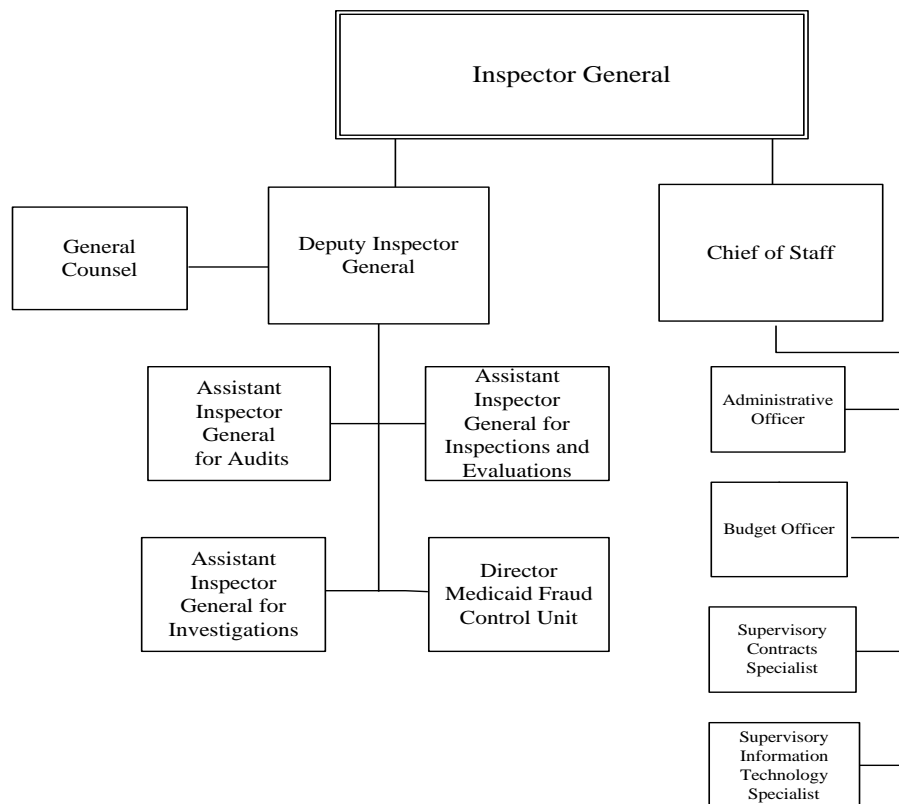
## GENERAL ACTIVITIES

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### 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 Organizational Chart – as of September 30, 2012**



### BUDGET AND PERSONNEL

The Office of the Inspector General's FY 2012 approved operating budget from all sources was \$15.5 million. Of this amount, \$3 million was allocated for the Comprehensive Annual

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## GENERAL ACTIVITIES

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Financial Report. The OIG's budget supports 112 full-time positions. The Office received 84 percent of its budget (\$13 million) from local funding, which supported 95 full-time positions (including 6 positions that represent a 25 percent local contribution to the federal grant supporting the MFCU). The Office received 16 percent (\$2.5 million) of its budget from federal funding, which supports 75 percent of the 23 full-time positions for the MFCU.

### 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 2012:

- 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:	<b>Inspector General</b> Charles J. Willoughby
10/12/10 – present:	<b>Deputy Inspector General</b> Blanche L. Bruce
6/1/06 – present:	<b>Chief of Staff</b> Roger W. Burke, Jr.
12/31/00 – present:	<b>General Counsel</b> Karen E. Branson

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## GENERAL ACTIVITIES

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12/31/00 – present:	<b>Deputy General Counsel</b> Victoria L. Lucchesi
6/21/10 – present:	<b>Assistant Inspector General for Audits</b> Ronald W. King
5/9/10 – present:	<b>Deputy Assistant Inspector General for Audits</b> LaDonia M. Wilkins
6/21/99 – present:	<b>Assistant Inspector General for Inspections &amp; Evaluations</b> Alvin Wright, Jr.
3/6/06 – present:	<b>Deputy Assistant Inspector General for Inspections &amp; Evaluations</b> Edward J. Farley
8/18/08 – present:	<b>Assistant Inspector General for Investigations</b> Stacie Pittell
5/15/98 – present:	<b>Deputy Assistant Inspector General for Investigations</b> Alfred Miller
4/18/04 – present:	<b>Director of Medicaid Fraud Control Unit</b> Susan B. Kennedy
11/7/11 – present:	<b>Deputy Director of Medicaid Fraud Control Unit</b> Brentton Wolfingbarger
3/12/93 – 4/17/12:	<b>Administrative Officer</b> Grace Y. Price
4/17/12 – present:	Vacant
3/16/98 – present:	<b>Budget Officer</b> Ranee Phillips
1/4/10 – present:	<b>Supervisory Contract Specialist</b> Thurman Dutton
2/17/98 – present:	<b>Supervisory Information Technology Specialist</b> Lesly Valentin

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## **GENERAL ACTIVITIES**

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### **FISCAL YEAR 2012 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 2012 can be accessed on our website. Appendix A contains the topics and dates of OIG testimony presented before the D.C. Council.

### **FISCAL YEAR 2012 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 2012.

### **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 two delegations from China, and delegations 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 Office of the Chief Financial Officer (OCFO), the Alcoholic Beverage Regulation Administration, the Department of Consumer and Regulatory Affairs, the Office on Aging, the Fire and Emergency Medical Services Department, the IG spoke at several seminars focused on seniors and crimes against seniors, two leadership conferences, and the OIG Audit Planning Conference.

### **WEBSITE**

The OIG website (<http://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

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## GENERAL ACTIVITIES

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

### **FREEDOM OF INFORMATION ACT (FOIA)**

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 decrease its FOIA processing response time each fiscal year (FY). Appendix C contains a selection of reporting data for FY 2012.

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## **FISCAL YEAR 2013 AUDIT AND INSPECTION PLAN**

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## AUDIT AND INSPECTION PLAN

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The annual audit and inspection plan (Plan) includes descriptions of both mandated audits 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 District and federal law. The FY 2013 Plan includes audits and inspections ongoing as of September 1, 2012. A copy of our annual 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 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 continued 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

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## AUDIT AND INSPECTION PLAN

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### VI. District of Columbia Education Programs

### VII. Prior Performance Audits

As has been our practice, formulation of the Plan began with the OIG's annual audit symposium held in June 2012. To ensure that FY 2013 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 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 the Plan does not necessarily mean that problems exist or guarantee that a review will be undertaken. The reality of having limited resources and unanticipated priorities arising from exigencies throughout the year often determine which audits or inspections can ultimately be initiated in any fiscal year. The Plan is designed to address audit areas that transcend a given fiscal year until identified risks facing the District are mitigated. It is our hope that District managers will use the Plan to help further identify risk areas within their respective agencies so that they may begin to address issues identified in the Plan, or previously reported, and begin to take actions to improve operational efficiencies before our audit or inspection.

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## **ACTIVITIES OF THE AUDIT DIVISION**

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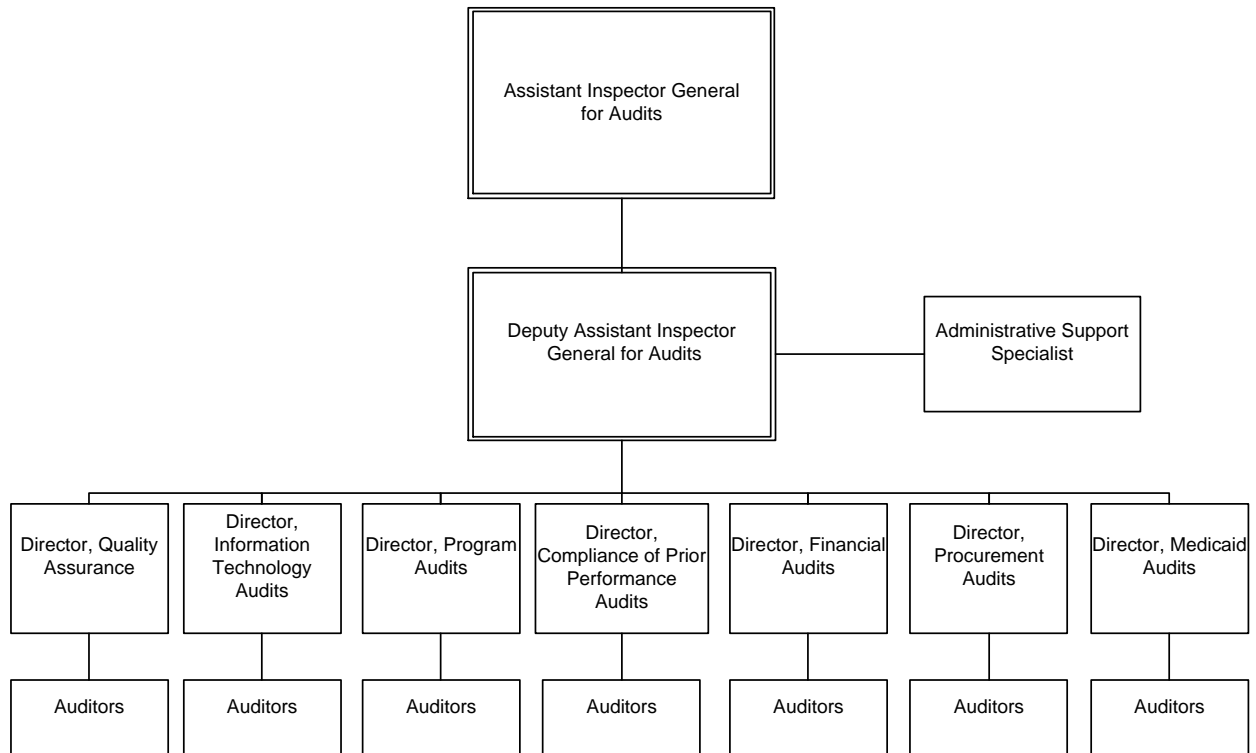
## ACTIVITIES OF THE AUDIT DIVISION

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### 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 major risks facing the District.

**OIG Audit Division Organizational Chart as of  
September 30, 2012**



The Audit Division is responsible for conducting audits of District organizations, programs, functions, and activities. These audits complement other elements of management evaluations and 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,

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## ACTIVITIES OF THE AUDIT DIVISION

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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, e.g., financial, attestation, and performance audits. Financial audits assess whether the financial statements of an entity are presented fairly, in all material respects, in conformity with generally accepted accounting principles. Attestation audits or engagements concern examining, reviewing, or performing agreed-upon procedures on a subject matter or assertion. Performance audits 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.

### 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-

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## **ACTIVITIES OF THE AUDIT DIVISION**

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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.

### **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.

### **PEER REVIEW**

In June 2012, representatives from the Association of Local Government Auditors (ALGA) completed a peer review of the OIG's Audit Division. The Audit Division received an unqualified opinion from the peer review team. The peer review covered the period January 1, 2009, through December 31, 2011. The peer review noted no deficiencies within the Audit Division. The report pointed out several areas in which the Audit Division excels. Specifically, the report noted the following: 1) the auditors are very knowledgeable of Government Auditing Standards and have a thorough understanding of the Audit Division's quality control system; 2) staff assigned to conduct and manage audits possesses technical knowledge, skills, competence, and experience; and 3) work papers were very well organized and allowed for quick and efficient review of audit documentation.

### **CONTINUATION OF LIAISON ACTIVITY**

Pursuant to the statutory mandate contained in D.C. Code §§ 1-301.115a(a)(3)(B) and (C) (Supp. 2012), 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

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## ACTIVITIES OF THE AUDIT DIVISION

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to lecture on IG functions for professional organizations, state and local IG 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 2012: 1) the number of audit reports issued; 2) the potential monetary benefits identified through our 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 if corrective actions have been implemented. The results of our performance measures are shown in Appendix E.

### SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDITS

For FY 2012, we issued 28 reports with total potential monetary benefits of approximately \$75 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 \$25 for each dollar invested.

To more readily identify potential benefits, the OIG includes a schedule in each audit report that reports 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 recommendations. 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 good and services.

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## ACTIVITIES OF THE AUDIT DIVISION

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### AUDIT AGENCY/OFFICE COVERAGE

The Audit Division issued 28 reports in FY 2012. Completed audits represented reviews undertaken as part of our FY 2012 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 20 District government agencies/offices audited during FY 2012.

### AUDIT FOLLOW-UP

During FY 2011, the Audit Division created a Compliance of Prior Performance Audits directorate and conducted follow-up audits of prior performance audits to ensure that the District government and its residents realize the full benefit of the 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 2012, the OIG conducted a follow-up audit entitled, Department of Motor Vehicles Ticketing Processing Service, and initiated two follow-up audits entitled, Metropolitan Police Department's Management of Seized and Confiscated Property and Non-Emergency Transportation Provider Compliance.

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. The 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 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 important function by tracking audit recommendations and assessing the progress of corrective actions. During FY 2012, the Audit Division conducted its triennial follow-up audit, issued follow-up letters, and met with agencies to inquire as to the status of agreed to recommendations. The Audit Division issues

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## ACTIVITIES OF THE AUDIT DIVISION

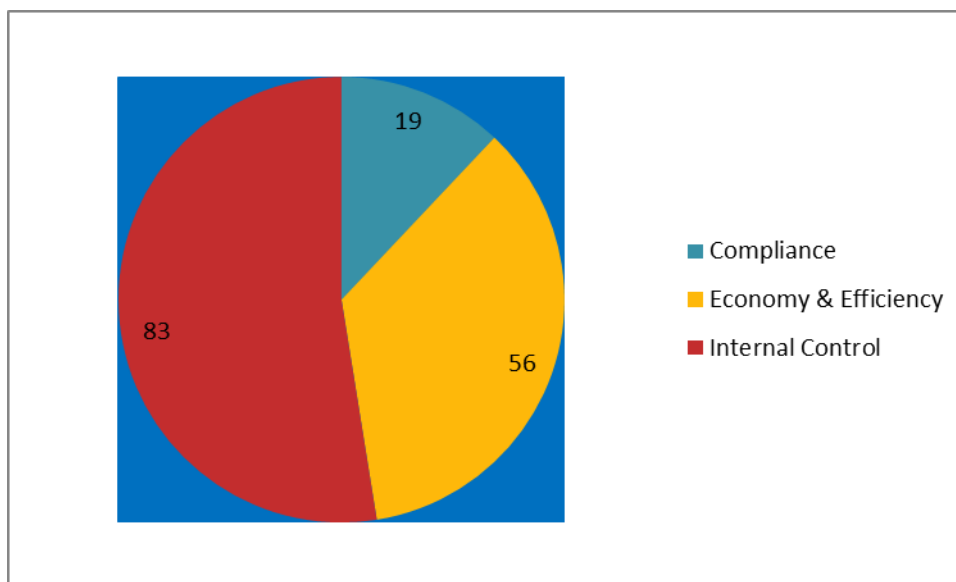
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Management Implication Reports (MIRs) that identify potentially widespread problems, and Management Alert Reports (MARs) to alert specific agency management of the need to take immediate corrective action.

### FISCAL YEAR 2012 AUDIT RECOMMENDATIONS

For FY 2012, the Audit Division made a total of 158 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 2012. The following chart identifies the number of recommendations by category.

**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

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## ACTIVITIES OF THE AUDIT DIVISION

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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 2012. 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 representatives brief the Committee in FY 2012 included: DCPS; the Office of the State Superintendent of Education; OCFO; the Office of Contracting and Procurement; and the Department of Health Care Finance.

**FY 2011 CAFR.** On February 2, 2012, KPMG, LLP issued the District's FY 2011 CAFR. This issuance marks the District's fifteenth consecutive unqualified opinion on its financial statements.

In connection with the audit of the District of Columbia's general purpose financial statements for FY 2011, KPMG, LLP submitted its *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters*. This report details identified significant deficiencies. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet 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; and (2) Procurement and Disbursement Controls.

### SIGNIFICANT AUDIT FINDINGS

Our audits focus on areas that present the highest risks to maintaining the District's fiscal integrity and continued financial strength. To address these risks, we designed our audits to concentrate on seven themes that take into consideration the legislative triggers that could require the District's return to the operational control of the D.C. Financial Responsibility and Management Assistance Authority. 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:

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## ACTIVITIES OF THE AUDIT DIVISION

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- 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

A summary of FY 2012 reports is 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.

### AUDIT HIGHLIGHTS BY THEME

#### REVENUE ENHANCEMENT

#### **Audit of the District's Condominium Conversion Fees, OIG No. 08-1-18CR, February 17, 2012**

The Department of Housing and Community Development (DHCD) lacked adequate management controls to ensure that: (1) vacant and occupied properties were properly certified prior to conversion to condominiums; (2) all conversion fees due were timely collected and deposited; (3) reductions of conversion fees were handled in accordance with applicable statutory provisions; (4) formal policies and procedures were implemented to ensure consistent and proper handling of conversion fee transactions; (5) accurate and complete conversion fee data were maintained for control purposes; and (6) appropriate monitoring, auditing, and reporting mechanisms were used to minimize the risks of fraud, waste, and abuse in the District's condominium conversion process. The District of Columbia Department of Consumer and Regulatory Affairs (DCRA) had responsibility for the management of Condo Conversion Fee (CCF) program, which was formally transferred to the DHCD, effective October 1, 2007. District of Columbia regulations require a registration fee of \$37 per unit from owners who wish to convert their properties to condominium units. Additionally, the regulations require a conversion fee of five percent of the declared sales price of each unit, unless a reduction is warranted based on the owner's declared intent to sell units to low-income, non-elderly tenants.

The audit objectives were to determine whether: (1) owners obtained proper permits to convert vacant and occupied buildings to condominiums; (2) the District collected the

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## ACTIVITIES OF THE AUDIT DIVISION

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applicable conversion fee relative to the sales price of each converted unit; (3) an effective mechanism for collecting required conversion fees was in place; (4) reductions of condominium conversion fees were in compliance with applicable laws and regulations; and (5) the District established internal controls to safeguard collected conversion fees against fraud, waste, and abuse.

We directed 41 recommendations to DHCD that we believe are necessary to address deficiencies identified during the audit. The recommendations focus on strengthening management controls to improve the: (1) District's collection of condominium conversion fees; (2) accuracy and completeness of conversion fee data; (3) timeliness of receiving and depositing conversion fees; and (4) effectiveness of compliance oversight. Potential benefits resulting from the audit totaled \$36.9 million.

### SPENDING AND EFFICIENT USE OF RESOURCES

#### **Audit of Construction Contracts Awarded Under the American Recovery and Reinvestment Act to the Department of Transportation, OIG No. 10-1-13KA, February 15, 2012**

The audit was included in our Fiscal Year 2010 Audit and Inspection Plan. The United States Department of Transportation (USDOT) apportioned \$123.5 million to the District of Columbia (District) for highway infrastructure investment on March 2, 2009. District of Columbia Department of Transportation (DDOT) is responsible for management of the District's highway infrastructure. Our original audit objectives were to determine whether: 1) DDOT met the federal requirements under Section 1511 of American Recovery and Reinvestment Act (ARRA); 2) DDOT complied with District procurement regulations in awarding construction contracts; and 3) internal controls were in place to safeguard against fraud, waste, and abuse. As a result of survey work, we revised our audit objectives to include an evaluation of the effectiveness of internal control at DDOT over the change order process for ARRA-funded construction contracts.

Our audit concluded that DDOT did not effectively manage the change order process for ARRA-funded construction contracts. Specifically, DDOT officials did not: (1) timely inform the Contracting Officer (CO) of project developments requiring change orders and obtain authorization prior to contractor performance; (2) obtain Federal Highway Authority (FHWA) approval prior to proposed change order (PCO) work; (3) establish and monitor internal controls over the change order process; and (4) adequately review and negotiate the estimated costs of PCOs in accordance with standard contract provisions. These conditions occurred because DDOT management: (1) disregarded standard contract provisions that required the CO to be notified of change requirements in writing; (2) did not adhere to

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## ACTIVITIES OF THE AUDIT DIVISION

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federal regulations that required FHWA's formal approval of contract changes; and (3) did not develop and issue standard operating procedures for the change order process. Program managers also appeared to intentionally circumvent the contracting specialist's role in processing and negotiating PCOs. Further, contractors did not adhere to contract provisions that required CO approval prior to performing proposed contract changes.

Also, DDOT did not ensure that project designs, drawings, and specifications were current and accurately reflected site conditions for ARRA-funded construction projects. This occurred because DDOT did not adequately review project plans, designs, and specifications delivered by firms it hired to provide design services. The lack of site visits or inadequate site reviews during the design reviews at the 30, 65, and 100 percent completion intervals contributed to this condition. Lastly, DDOT did not effectively monitor contractor compliance with ARRA reporting requirements, and collect data necessary to assess penalties for noncompliance. This condition occurred because DDOT did not clearly assign the responsibility to monitor contractors' compliance with this requirement. DDOT also had not tracked monthly report submissions required in order to assess penalties for noncompliance at contract close-out.

We directed 10 recommendations to DDOT that focus on: (1) developing and implementing standard operating procedures to define the process for change orders and establishing effective internal controls; (2) holding management employees accountable for upholding their responsibilities in overseeing construction projects; and (3) assessing current practices for design reviews and negotiation of change order costs. As a result of our audit, potential monetary benefits totaled \$2 million.

### DELIVERY OF CITIZEN SERVICES

#### **Audit of Medicaid Claims at the Department of Health Care Finance (DHCF), OIG No. 09-2-29HF, February 16, 2012**

This audit was included in the OIG's annual audit plan and is part of our continuous review of the District Medicaid program. The objective of the audit was to determine the effectiveness of the DHCF process for approving Medicaid claims for payment. During the course of the audit, we identified about \$3.8 million in potentially erroneous Medicaid payments during FY 2009. These payments may have been issued erroneously because the corresponding claims: cited service dates after a Medicaid recipient's date of death; were paid for recipients who had questionable social security numbers (SSNs); or were paid at amounts higher than those billed. These conditions occurred because DHCF: (1) did not use edits within the Medicaid Management Information System to deny claims where the service date occurred after the recipient's death; (2) relied on the Department of Human Services

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## ACTIVITIES OF THE AUDIT DIVISION

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Income Maintenance Administration (DHS IMA) to ensure that applicants for Medicaid coverage met Medicaid enrollment and update requirements; and (3) did not have procedures in place to require supervisory reviews for Medicaid claims that required manual intervention for payment.

As a result, DHCF could not be assured that Medicaid claims paid under these conditions were valid and should have been paid. Additionally, the District may be liable to repay the federal share of invalid payments because the payments were made with both federal and District funds. We directed four recommendations to DHCF. The recommendations focused on: 1) ensuring controls are established to prevent payment of claims to Medicaid recipients with service dates after the recipient's date of death; 2) establishing procedures to ensure that DHCF staff reviews Medicaid payments before payments are distributed to healthcare providers; 3) recouping \$662,934 paid after the recipients' dates of death and \$47,324 paid in excess of the amount billed as identified in this report; and 4) assessing the claims associated with our listing of \$22.6 million in low-dollar claims paid in excess of amounts billed, determining whether there is a cost-effective process to identify invalid claims, and, if so, recoup excess payments. We also directed one recommendation to the DHS IMA. The recommendation focused on ensuring that controls are established to verify SSNs with the Social Security Administration during the eligibility and recertification process to improve the likelihood that Medicaid services are provided to only bonafide residents of the District.

### SUPPORT SERVICES

#### **Triennial Follow-up Audit of District Agencies' Implementation of Audit Recommendations for FYs 2008-2010, OIG No. 11-1-08MA(a), September 21, 2012**

As a part of our FY 2011 Audit Plan, we conducted this audit of selected District agencies to determine whether previously made audit recommendations have been implemented. The overall objective of this audit was to verify whether agencies have implemented agreed-to recommendations that were intended to correct reported deficiencies. The audit included review and evaluation of corrective actions taken by management on 332 recommendations made in 50 audit reports, which were issued to 31 separate District agencies from October 1, 2007, through September 30, 2010.

The results of our audit indicate that OIG recommendations were not timely resolved. We conducted audit testing at 21 District agencies in our audit universe to determine whether they had implemented agreed-to actions in response to our audit recommendations. District agency officials reported that: (1) action had been completed to address 206 of 239 (86 percent) recommendations reviewed; and (2) 33 (14 percent) recommendations remained open.

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## ACTIVITIES OF THE AUDIT DIVISION

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We also found that agencies may have: (1) implemented corrective actions, but did not maintain appropriate supporting documentation for recommendations reported as closed; or (2) reported recommendations as closed without implementing the necessary corrective actions. We selected 68 of the 239 recommendations directed to 9 District agencies for verification. We were only able to verify that 35 of the 68 recommendations (51 percent) were actually closed based on documentation maintained by agency officials.

We issued six separate Management Alert Reports, which reported the results of our verification of reported closed recommendations at each respective agency. We also issued a letter report to the Department of Mental Health, reflecting that the results of our review revealed that all recommendations were closed. Additionally, we performed a follow-up audit on the Office of Risk Management (ORM) and issued a separate report of issues identified at this agency. We directed two recommendations to ORM that we believe are necessary to address deficiencies identified during the audit. The recommendations focus on following up with District agencies on recommendations that remain open to ensure timely resolution and that District agencies maintain sufficient supporting documentation for all audit recommendations reported as closed.

### 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.

### DISTRICT OF COLUMBIA PUBLIC EDUCATION PROGRAMS

#### **Audit of the Management of Truancy at District of Columbia Public Schools, OIG No. 09-1-32GA, August 10, 2012**

This audit was included in our FY 2009 Audit and Inspection Plan. The audit objectives were to evaluate the adequacy and effectiveness of: (1) DCPS' program for managing unauthorized student absences (truancy); (2) policies and procedures for recording and reporting student absences; (3) punitive actions for chronic truants; and (4) community policing programs for reducing truancy. This report contained three findings that detail the conditions found during our audit. In our first finding, we noted that schools did not have the required or appropriate number of staff to effectively implement their attendance programs. In October 2009, DCPS laid off 388 school employees, which left some high schools without

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## ACTIVITIES OF THE AUDIT DIVISION

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attendance counselors. As a result, DCPS lacked sufficient staffing resources to perform day-to-day attendance duties in order to effectively combat truancy.

Our second finding indicated that DCPS did not develop a mechanism to track useful truancy data, such as the number of students that were picked up by MPD, or the number of students that were referred to the Child and Family Services Agency (CFSA) for educational neglect. The failure to capture statistics on truants prevents DCPS from determining the severity of problems and implementing programs to reduce truancy. Widespread truancy increases the likelihood that children will drop-out, which in turn, leads to an increased likelihood that, as young adults, they will be unemployed, live in poverty, receive welfare, and/or engage in criminal behavior.

Our third finding indicated that truancy policies, protocols, and procedures need revision. For example, we believe that the policy requiring DCPS to refer students to the court system once they accumulate 25 absences results in students missing a significant amount of instruction time, which negatively impacts their ability to successfully complete the academic term. Our benchmarking efforts revealed that some jurisdictions allow fewer unexcused absences before a student is referred to the next level for disciplinary action. In addition, DCPS did not include in its protocols information detailing how school officials should monitor truants, maintain truancy reporting forms, and handle truants dropped off at schools by MPD officers. As a result of not having specific procedures documented for monitoring truants, maintaining truancy reporting forms, and handling truants picked up by MPD, school officials may not be following consistent procedures to address truancy throughout DCPS.

We directed five recommendations to the Chancellor of the DCPS to correct the deficiencies noted in this report. The recommendations focus on: 1) ensuring schools have the necessary resources to implement attendance programs; 2) tracking truancy statistics to assist DCPS in developing additional strategies to combat truancy; 3) strengthening policies and procedures to ensure students are timely referred to the court system; 4) revising policies and procedures to ensure school officials follow consistent procedures for handling truancy; and 5) ensuring school attendance plans address the required procedures and contain updated information.

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## **ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION**

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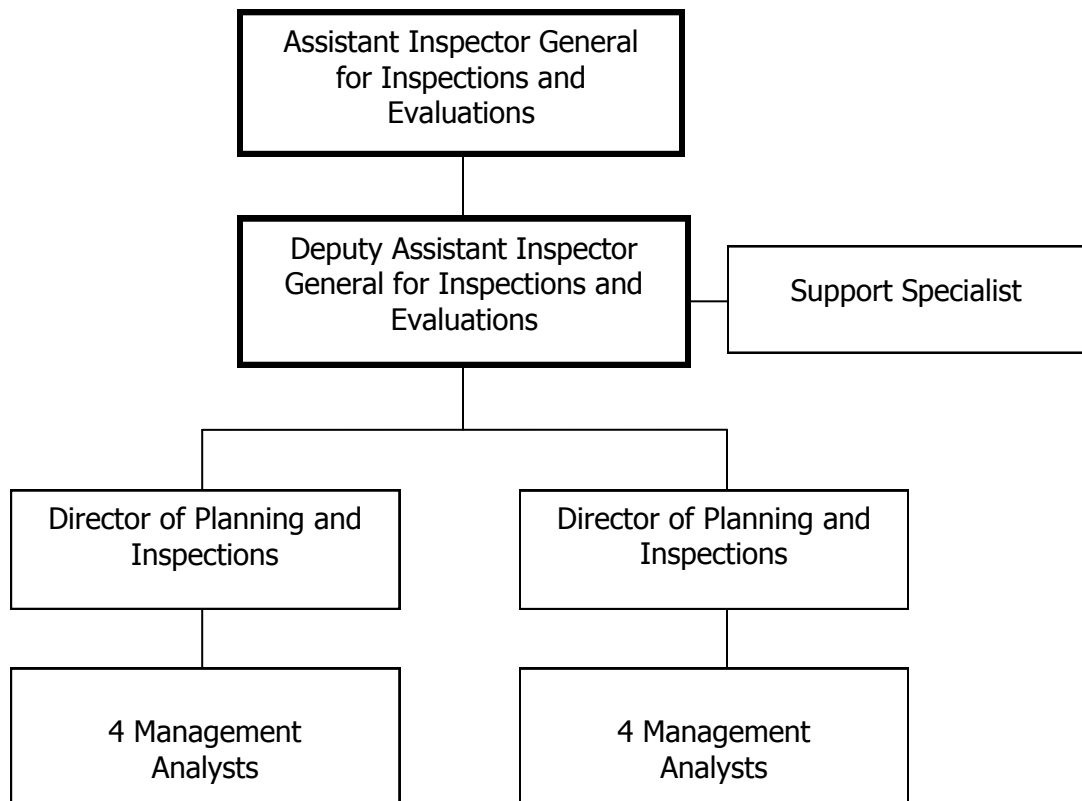
## ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION

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### 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, 2012



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## **ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION**

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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 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 2012. 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

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## ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION

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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.

In FY 2012, I&E initiated inspections of the Department of Youth Rehabilitation Services; the D.C. Housing Authority; and the D.C. Office on Aging. I&E also began a special evaluation of the implementation and administration of mandatory drug and alcohol testing of “safety sensitive” employees in 15 District agencies, and the Department of Human Resources’ oversight of these testing programs. I&E analysts also concluded fieldwork for projects in the Department of Human Services (DHS) Adult Protective Services division; Department of Employment Services; Department on Disability Services; the Department of Health’s HIV/AIDS, Hepatitis, Sexually Transmitted Disease and Tuberculosis Administration; DHS’s Office of Shelter Monitoring and selected homeless shelters; and the Fire and Emergency Medical Services Department.

The following are synopses of the 10 reports I&E issued during FY 2012. The number of findings and recommendations resulting from each report appear in Appendix J.

**Metropolitan Police Department (MPD)**  
**Report of Special Evaluation (11-I-0044FA)**  
*Youth Investigations Division (YID)*  
**(Report Published November 9, 2011)**

The special evaluation objectives were to assess the management and disposition of juvenile missing persons cases at YID’s Missing Persons Section and the management of the Juvenile Processing Center, a facility located on Mt. Olivet Road, N.E. that receives and processes arrested juveniles. The Inspector General directed the evaluation partly in response to allegations of mismanagement of cases involving missing children and youths. During the special evaluation, the team also issued three MARs. The MARs, as well as the special evaluation report, are found in the November 2011 section of the I&E report archive at <http://www.oig.dc.gov>.

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## ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION

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**Report of Special Evaluation (12-I-0045)**  
***Sufficiency of District Agency Services Provided to a District Resident***  
**(Report Published January 31, 2012)**

This District resident's death in August 2011 garnered widespread public attention because of the stark contrast between his 39 years as an orderly and well-regarded White House employee, a friend, and neighbor, and what appeared to be a precipitate decline into disorderly and dangerously unhealthy living conditions. The OIG initiated this review and evaluation of the services offered and rendered to the resident by District agencies and officials to determine any need for change and improvement in the manner such services are dispensed, or in the policies, procedures, and regulations that govern their actions. A redacted version of the full report can be found in the February 2012 section of the I&E report archive at <http://www.oig.dc.gov>.

**Fire and Emergency Medical Services Department (FEMS)**  
**Management Alert Report (12-I-001)**  
***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***  
**(Report Published March 13, 2012)**

This MAR resulted from I&E fieldwork during its re-inspection of conditions in FEMS fire stations. The I&E team learned that: (1) the District's primary fireboat, the John H. Glenn, Jr., lacks the speed, fire suppression, and disaster response capabilities of fireboats used in other jurisdictions; (2) FEMS did not have a current, informed understanding of the condition and structural integrity of the boat; and (3) FEMS had no plan for regularly inspecting, maintaining, and eventually replacing the Glenn. I&E concluded that "FEMS must be active and vigilant in its management oversight to ensure: (1) the operability of the current fireboat and the safety of those FEMS staff members assigned to it, and (2) the timely, efficient, and economical replacement of the Glenn." The MAR and FEMS's response are found in the March 2012 section of the I&E report archive at <http://www.oig.dc.gov>.

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## ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION

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**D.C. Public Schools (DCPS), Department of Human Resources (DCHR), and the Office  
of the Attorney General for the District of Columbia (OAG)**

**Management Alert Report 12-I-002**

***District of Columbia Public Schools Does Not Conduct Mandatory Drug and Alcohol  
Testing of Employees in Safety-Sensitive Positions as Required by Law***

**(Report Published April 27, 2012)**

I&E began a special evaluation of District government agencies' implementation and administration of mandatory drug and alcohol testing (MDAT) programs for employees who serve children and youth in "safety-sensitive" positions. During fieldwork, the I&E team learned that DCPS was not testing appointees (i.e., pending hires) to, or employees already in, safety-sensitive positions as required by the Child and Youth, Safety and Health Omnibus Amendment Act of 2004. According to a senior DCPS official, DCPS has over 8,000 safety-sensitive employees. Acknowledging that "state and local entities' efforts to implement random drug testing programs for teachers have faced considerable resistance from labor organizations and privacy rights advocates," the MAR recommended, among other things, that DCPS collaborate regularly with DCHR and OAG to implement a MDAT program at DCPS. The MAR and DCPS's response are found in the April 2012 section of the I&E report archive at <http://www.oig.dc.gov>. (Neither DCHR nor the OAG provided written comments on the MAR's findings and recommendations.)

**Executive Office of the Mayor (EOM) and  
the Department of Youth Rehabilitation Services (DYRS)**

**Management Alert Report (12-I-003)**

***Juvenile Abscondence Review Committee (JARC) Has Not Convened in Accordance with  
A District Law That Went Into Effect in March 2011***

**(Report Published April 30, 2012)**

During its special evaluation of DYRS and issues pertaining to criminally involved youths who abscond, the OIG learned that the JARC had neither been staffed with members nor convened. The committee's establishing law requires the JARC to review cases of serious crimes, such as homicide and armed assault, committed by juveniles in abscondence; determine what measures might have prevented the abscondences; and recommend ways to identify and locate high-risk youths in abscondence who may commit such crimes. The MAR and DYRS's response are found in the April 2012 section of the I&E report archive at <http://www.oig.dc.gov>. (The EOM did not respond to the OIG's request for written comments on the MAR's findings and recommendations.)

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## ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION

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**Department of Employment Services**  
**Report of Special Evaluation: *Office of Unemployment Compensation (OUC) –***  
***Part II (12-I-0046CF)***  
**(Report Published July 13, 2012)**

This report was follow-up to a special evaluation of OUC issued in February 2011 that assessed OUC's efficiency and timeliness in issuing unemployment benefits. The objective of Part II was to assess whether OUC was conducting the necessary verifications to ensure that unemployment benefits are issued appropriately and legitimately to qualified candidates. At the conclusion of this special evaluation, the OIG made 21 recommendations to DOES to address noted deficiencies, strengthen internal controls, and increase operational effectiveness. Among other things, the OIG recommended that DOES improve its automated systems to streamline and document the results of its eligibility verification processes, and take steps to reduce management turnover in OUC. The report and DOES's responses are found in the July 2012 section of the I&E report archive at <http://www.oig.dc.gov>.

**Department of Human Services (DHS)**  
**Report of Special Evaluation: *801 East Shelter (12-I-0047JA)***  
**(Report Published August 1, 2012)**

I&E issued several reports aimed at: (1) improving the operations, physical conditions, and quality of services provided to individuals and families residing at selected homeless facilities under the purview of DHS's Office of Shelter Monitoring (OSM), and (2) strengthening the monitoring and oversight conducted by OSM. This report addressed conditions in the 801 East Shelter, which is located at 2700 Martin Luther King, Jr., Avenue, S.E. and serves up to 380 male adults. The report presented seven recommendations related to issues such as the security of the building and the safety of the clients sleeping there, as well as employee personnel file practices. The report is found in the August 2012 section of the I&E report archive at <http://www.oig.dc.gov>.

**Department of Human Services (DHS)**  
**Report of Special Evaluation: *D.C. General Shelter (12-I-0048JA)***  
**(Report Published August 20, 2012)**

D.C. General provides shelter to homeless families and consists of two buildings located at 1900 Massachusetts Avenue, S.E. D.C. General is a hypothermia shelter – “a public or private building that the District shall make available, for the purpose of providing shelter to individuals or families who are homeless and cannot access other shelter, whenever the actual or forecasted temperature, including the wind chill factor, falls below 32 degrees

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## ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION

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Fahrenheit.”<sup>1</sup> I&E reviewed shelter employees’ personnel files and found that some employees who had direct contact with families and children lacked criminal background checks, drug and alcohol testing, or tuberculosis screening results as required by contract and D.C. law. On a positive note, in contrast to prior reports of poor physical conditions at D.C. General, the I&E team found D.C. General’s hallways, restroom, kitchen areas, and employee offices clean and orderly. This report is posted in the August 2012 section of the I&E report archive at <http://www.oig.dc.gov>.

**Department of Human Services (DHS)**  
**Report of Special Evaluation: *Office of Shelter Monitoring (OSM)* (12-I-0049JA)**  
**(Report Published August 31, 2012)**

In 2007, the District’s Homeless Services Reform Act (HSRA) was amended to create OSM to “help ensure that District funded shelters are in compliance with the standards of the HSRA and in compliance with the D.C. housing code by monitoring each facility for cleanliness, safety, health, accessibility and treatment of residents.”<sup>2</sup> According to District of Columbia Municipal Regulations and DHS policies and procedures, OSM must conduct annual inspections of all District homeless shelters that receive funding from the District or the federal government if the funds are administered by DHS. This report presented DHS with findings and recommendations that highlighted the need for additional resources and standardized protocols under which OSM should operate. The report is found in the August 2012 section of the I&E report archive at <http://www.oig.dc.gov>.

**Department of Human Services (DHS)**  
**Report of Inspection: *Adult Protective Services (APS)* (12-I-0050JA)**  
**(Report Published September 24, 2012)**

APS is a component of DHS’s Family Services Administration and “investigates reports alleging abuse, neglect[,] and exploitation of frail elderly and disabled adults and intervenes to protect vulnerable adults who are at risk.”<sup>3</sup> One of I&E’s primary conclusions was that APS rarely conducts investigations with, or refers cases that may involve criminal activity to, the Metropolitan Police Department. This lack of collaboration and coordination may put at risk the safety of APS clients and allow criminal activity to continue unabated. This report of inspection is found in the September 2012 section of the I&E report archive at <http://www.oig.dc.gov>. As part of this inspection, I&E also issued a MAR (MAR 10-I-002) in April 2010 regarding APS case file documents containing sensitive and legally-protected

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<sup>1</sup> D.C. Code § 4-751.01(21)(Supp. 2012).

<sup>2</sup> Comm. On Human Serv., D.C. Council, Bill 16-625, at 3 (Nov. 27, 2006).

<sup>3</sup> <http://dhs.dc.gov/node/117652>

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## ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION

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information that were not safeguarded. In addition, in March 2011, the team issued a MIR (MIR 11-I-003) entitled *Lack of Awareness, Policies and Procedures, Training Requirements, and Oversight Mechanisms Regarding the Reporting of Suspected Abuse and Neglect of Elders and Other Vulnerable Adults*. The MAR and MIR are also available at <http://www.oig.dc.gov>.

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## **ACTIVITIES OF THE INVESTIGATIONS DIVISION**

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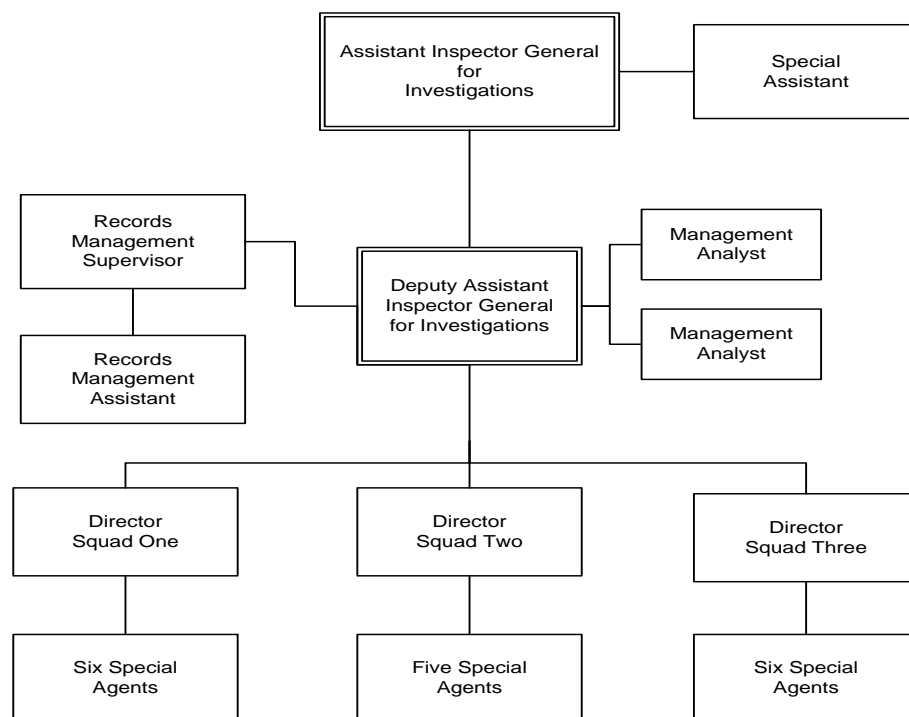
## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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### 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 Division's Referral Program. This includes referring matters involving possible mismanagement and inefficiency to other District agencies and requesting responses from those agencies. ID also has a Hotline Program, which is staffed by ID special agents on a rotating basis.

**OIG Investigations Division  
as of September 30, 2012**



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

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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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degrees and professional certifications. Newly hired special agents are required to meet firearm qualification standards of a federal law enforcement agency and the Metropolitan 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, local 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, the ROIs frequently make specific recommendations to correct the identified deficiencies, provide guidance on the 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) 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.

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## **ACTIVITIES OF THE INVESTIGATIONS DIVISION**

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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) and regular mail, facsimile, and walk-ins.

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- 539 (2011). 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 with 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 educates District government employees of the mission of the OIG 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 2012 performance of these functions with target goals. In FY 2012, the ID exceeded its target goals in all three 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**

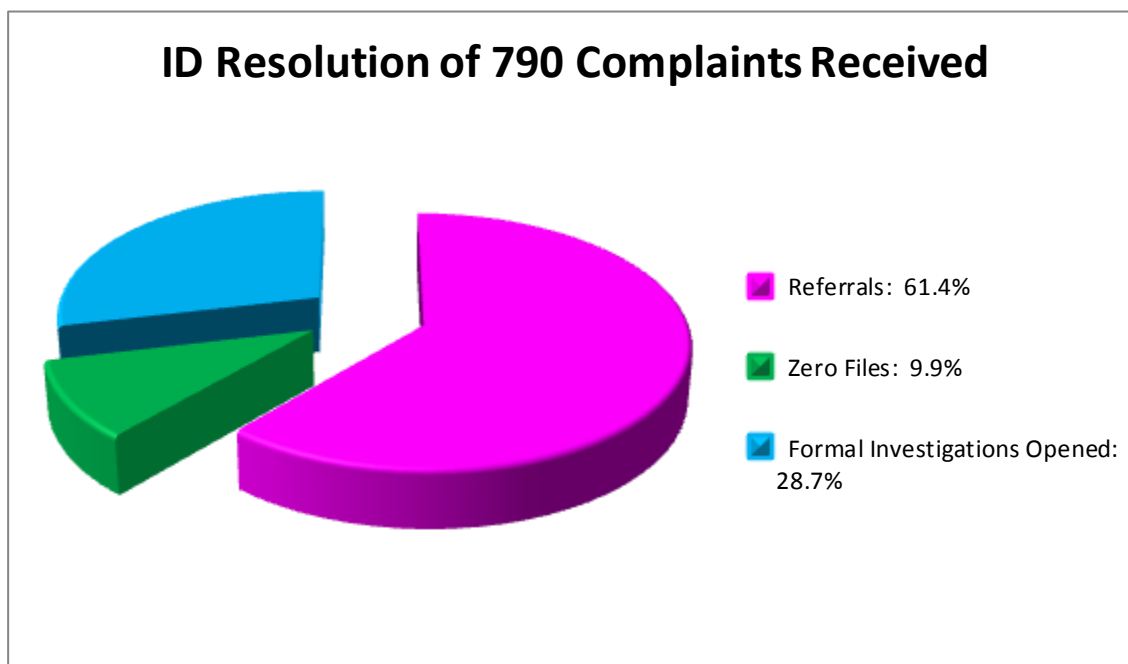
During FY 2012, the ID processed 790 new complaints. Of those 790 new complaints, the ID opened 227 formal investigations, including 173 criminal investigations, 16 administrative investigations, 33 preliminary investigations, and 5 were consolidated into existing investigations. In addition, of the 790 new complaints, the ID referred 485 to agency heads for action, and closed 78 without further action (or placed in a "Zero file"). During FY 2012, ID special agents conducted one search pursuant to the OIG's administrative authority or a search warrant and 144 subpoenas were issued to further the ID's investigations.

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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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The chart below reflects the proportionate resolution of 790 new complaints received in FY 2012.



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.

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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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### INVESTIGATIONS CLOSED

In FY 2012, the ID closed 194 formal investigations. The formal investigations closed include 16 that resulted in a criminal conviction of at least 1 person and 7 that resulted in substantiated administrative violations. Appendix M details the agencies involved in the formal investigations closed during FY 2012.

### HOTLINE USAGE

Detailed OIG Hotline statistics are included in Appendix N. D.C. Code § 47-2881 (2005) 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 an official 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 mail, email, facsimile, in person, 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) (Supp. 2011). In FY 2012, the OIG presented 61 cases to a prosecutor for possible prosecution. Of these, 18 cases were accepted for further investigation, 39 cases were declined, and 4 remain under consideration. 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 12 arrests, 1 indictment, 10 convictions, and 23 sentences. The sentences included imprisonment, home detention, probation, fines, community service, and restitution.

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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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### RESTITUTION AND RECOVERIES

During FY 2012, individuals convicted as a result of ID investigations were ordered to pay a total of \$836,545.16 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 7 ROIs in FY 2012 containing a total of 37 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. In FY 2012, the ID issued four MARs. 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 2012, the ID issued 18 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 157 Investigative Referrals in FY 2012. The ID also issues Letters of Closure to notify agency heads of the conclusion of an investigation because the matter was referred to the OIG by the agency head and it did not result in the issuance of an ROI, MAR, SAR, or Investigative Referral. In FY 2012, the ID issued four Letters of Closure. The ID also completed 14 Administrative Closures, which are reports prepared when an administrative investigation is closed without a substantiated finding, and 33 Criminal Closures, which are reports prepared when a criminal investigation is closed without a criminal conviction. Finally, the ID completed 14 Preliminary Investigation Closures, which are reports prepared when a preliminary investigation is closed without a substantiated finding.

### PEER REVIEW

In August 2012, pursuant to D.C. Code § 1-301.115a (f-5) (Supp. 2011), the ID underwent a Peer Review, conducted by members of the Association of Inspectors General (AIG). The AIG is a national organization whose members adhere to the standards established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE), which provides guidance and oversight to federal OIGs. The Peer Review concluded that the ID met all relevant CIGIE standards.

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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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### SIGNIFICANT INVESTIGATIONS

#### **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 case to determine which ones should be investigated and referred for criminal prosecution and which ones should be referred to the Office of the Attorney General for the District of Columbia (OAG) for civil recoupment. In FY 2012, the USAO successfully prosecuted six cases investigated by the OIG and referred for criminal prosecution. Five of those cases resulted in criminal convictions for Fraud in the First Degree and one resulted in a criminal conviction for Fraud in the Second Degree. The six defendants were ordered to pay a total of \$111,107 in restitution. In addition, the OIG referred 92 cases to the OAG for civil recoupment. Cases involving District government employees also were referred to the employing agencies for appropriate administrative action.

#### **Two More Members of a Multi-State Identity Theft Ring Were Convicted and Sentenced**

A former Department of Human Services (DHS) employee and a member of the public stole identifying information and obtained lines of credit in the names of 176 victims and then used the lines of credit and/or accessed victims' existing bank accounts to purchase merchandise, pay bills, and pay D.C. parking tickets. The 11-person multi-state identity theft ring involved at least 765 transactions and resulted in approximately \$1,446,805 in fraudulently obtained lines of credit and charges to those lines of credit totaling \$92,720. On August 18, 2010, the former DHS employee pled guilty to Conspiracy and Fraud in Connection with Access Devices. On October 4, 2011, the former DHS employee was sentenced to 78 months of incarceration, payment of \$92,720 in restitution, and 3 years of supervised release. On September 21, 2010, the member of the public pled guilty to Conspiracy and Fraud in Connection with Access Devices. On December 16, 2011, the member of the public was sentenced to 97 months of incarceration, payment of \$92,720 in restitution, 3 years of supervised release, and was ordered to forfeit \$88,855.70. Previously, nine other co-conspirators and participants were convicted and sentenced for their roles in this identity theft ring.

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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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### **Former District of Columbia Public Schools (DCPS) Employee Supplements Government Salary**

A former DCPS employee pled guilty to one count of Supplementation of Government Salary and on November 16, 2011, was sentenced to 24 months of probation. The investigation revealed that in 2008, the former DCPS employee received a \$20,300 check from a company owned by his friend, in exchange for selecting the friend's company to perform renovation work for DCPS.

### **Former Charter School Executive Director Stole \$2.4 Million in District and Federal Government Funds**

The former founder and Executive Director of a D.C. Charter School, a not-for-profit special education institution, pled guilty to Wire Fraud after an investigation conducted by the OIG Investigations Division and the OIG Medicaid Fraud Control Unit, the FBI, the U.S. Department of Health and Human Services (HHS) OIG, and the Internal Revenue Service revealed that he stole almost \$2.4 million in District and federal government funds meant to serve the needs of special education students. The former Executive Director diverted approximately \$300,000 from the charter school's accounts to cover personal expenses, such as rent, child support payments, art, and jewelry. He also siphoned \$2 million into bank accounts of a shell company he created. The former Executive Director was sentenced to 18 months in prison and 3 years of supervised release. The court also ordered that the former Executive Director forfeit the \$2,358,536 he obtained. (Please see the Medicaid Fraud Control Unit section of the OIG Annual Report for additional information on this investigation).

### **Former Non-Profit Executive Director Fraudulently Obtained Grant Funding**

A joint District and federal investigation revealed that the former Executive Director of a District-based nonprofit organization fraudulently obtained grant funding from the U.S. Department of Housing and Urban Development (HUD). The grant was administered by the District Department of Health (DOH). The former Executive Director pled guilty to False Statements in connection with her submissions of false invoices to DOH for the time non-profit personnel did not work. She was sentenced to 3 years of supervised probation and restitution of \$15,180. The OIG conducted the investigation with the FBI, HUD OIG, and the HHS OIG.

### **Former Office of the Chief Financial Officer (OCFO) Tax Examiner Sentenced to 30 Months in Prison for Stealing \$413,651**

An OIG investigation revealed that a former OCFO Tax Examiner devised a scheme to defraud the District through fraudulent tax refunds on dormant accounts. Accordingly,

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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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between February 2007 and January 2011, she stole \$413,651 from the OCFO. The former OCFO Tax Examiner pled guilty to Wire Fraud and on March 19, 2012, was sentenced to 30 months of incarceration, 3 years of supervised release, and payment of \$413,651 in restitution. Two members of the public participated in the scheme by allowing the former OCFO Tax Examiner to amend their tax returns and use their bank accounts so that they would receive District tax refunds to which they were not entitled. In exchange, they gave the former OCFO Tax Examiner half of those tax refunds. Each member of the public pled guilty to Wire and Mail Fraud and was sentenced to probation and payment of restitution.

### **Two Former District Department of the Environment (DDOE) Employees Sentenced for Demanding and Receiving Bribes**

An OIG investigation conducted jointly with the FBI and the U.S. Environmental Protection Agency (EPA) revealed that two former DDOE Environmental Protection Specialists demanded and received \$20,000 in cash as bribes for not reporting serious environmental infractions and assessing fines and penalties. On March 13, 2012, the two former DDOE employees each pled guilty to Solicitation and Receipt of a Bribe by a Public Official. On May 21, 2012, they each were sentenced to 12 months and 1 day of incarceration, 24 months of supervised release, and 100 hours of community service.

### **Former U.S. Securities and Exchange Commission (SEC) Employee Fraudulently Applied for and Received Three Different District Benefits**

The OIG, working jointly with the SEC/OIG, conducted an investigation concerning a former SEC employee who fraudulently applied for and received DDOE Low Income Energy Assistance benefits, Office of the State Superintendent of Education (OSSE) child care subsidies benefits, and the DOH Women Infant and Children health and nutrition benefits. The investigation revealed that since 2006, the former SEC employee received a total of \$30,504.00 in benefits to which she was not entitled. On February 14, 2012, the former SEC employee pled guilty to Fraud in the First Degree. She was sentenced on April 9, 2012, to 365 days of incarceration (all but 20 days suspended), 5 years of supervised probation, and payment of \$30,504 in restitution.

### **Former Advisory Neighborhood Commission (ANC) 5B Chairman Sentenced for Fraudulently Obtaining ANC 5B Funds for his Own Personal Use**

A former ANC 5B Chairman obtained an unauthorized debit card and systematically, over a period of 8 months, made 127 ATM cash withdrawals for his own personal use. The investigation, which the OIG conducted jointly with the FBI, resulted in the former ANC 5B Chairman pleading guilty to Access Device Fraud on January 27, 2012. On April 27, 2012, he was sentenced to 30 days of incarceration (to be served on weekends), 2 years of probation, 150 days of home confinement, and payment of \$28,526.21 in restitution.

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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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### **Member of the Public Sentenced for Fraudulent Receipt of OSSE Child Care Subsidies**

An OIG investigation revealed that for the 2009-2010 school year, a member of the public fraudulently applied for and received \$8,868 in OSSE child care subsidies. On November 28, 2011, the member of the public pled guilty to Fraud in the First Degree. She also was sentenced to 12 months of incarceration (suspended), 4 years of supervised probation, 120 hours of community service, and payment of \$8,868 in restitution.

### **Report of Investigation Regarding Investigation of Cheating at DCPS**

The OIG issued a public report in August 2012, after a joint investigation with the U.S. Department of Education/OIG into allegations of cheating on the DC Comprehensive Assessment System (DC CAS) standardized exams administered by DCPS. While the investigation did not reveal evidence of criminal activity or widespread cheating on the DC CAS exams, the investigation did reveal deficiencies and problem areas, warranting 17 recommendations for DCPS action.

### **Report of Investigation Into the OCFO's Lottery Contract Award**

In January 2012, the OIG issued a public report summarizing its investigation into the OCFO's lottery contract award, the D.C. Council's approval of the lottery contract award, and the enactment of the Lottery Modernization Amendment Act of 2010. The investigation found no specific instances of criminal or administrative misconduct but made a total of six recommendations to three District agencies and the D.C. Council.

### **Report of Investigation Into Allegations that Public Officials Intentionally or Negligently Misled the Public Regarding Lead in the District's Water**

In March 2012, the OIG released a public report that summarizes the OIG's findings and recommendations from the investigation into concerns that D.C. Water and Sewer Authority (DCWASA) (now DC Water) and DOH officials intentionally or negligently misled the public regarding elevated levels of lead in the District's water and the corresponding health impact on District children. The OIG investigation revealed that: 1) lead experts and health officials could not determine with certainty whether a correlation existed between elevated lead levels in District tap water and lead-poisoned children; 2) during D.C. Council hearings, DCWASA officials provided misleading information regarding that agency's compliance with EPA regulations with respect to lead in the District's tap water; and 3) there is no evidence that DOH officials deliberately misled or carelessly educated the public regarding DOH's efforts to protect the public in response to DCWASA exceeding the lead action level for District tap water. The report concluded with a total of five recommendations.

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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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### **Misconduct Violations by a DOH Deputy Bureau Chief**

A DOH Deputy Bureau Chief, temporarily assigned to the Office of Contracting and Procurement (OCP) as a Technical Evaluation team member, inappropriately contacted and provided confidential information to a solicitation respondent, while the solicitation was ongoing. The Deputy Bureau Chief's conduct gave the appearance that she was giving preferential treatment to the respondent and impeded government efficiency or economy because the solicitation had to be canceled because of her conduct. In all, the Deputy Bureau Chief violated five District standards of conduct. The OIG recommended that DOH address the Deputy Bureau Chief's conduct with appropriate administrative action and ensure that all DOH employees are trained appropriately regarding the District's standards of conduct and the administrative requirements governing technical evaluation team members and confidential disclosures.

### **Misconduct Violations by Alcoholic Beverage Regulation Administration (ABRA) Supervisory Investigator**

An OIG investigation revealed that an ABRA Supervisory Investigator used his official position to solicit preferential treatment and accept a benefit from the owner of a nightclub for which he had responsibility for inspecting, investigating, and enforcing ABRA regulations. The supervisory investigator's misconduct occurred during his official tour of duty and violated five sections of the District Personnel Manual (DPM) and two sections of ABRA policy. The investigation resulted in the referral of three recommendations to ABRA, including addressing the supervisory investigator's conduct with appropriate administrative action and creating a policy regarding on-and off-duty conduct of ABRA investigators who patronize ABRA-regulated establishments.

### **Misconduct Violations by a Protective Services Police Department (PSPD) Lead Police Officer**

After conducting an investigation, the OIG determined that a PSPD Lead Police Officer improperly accessed and queried confidential information on government computer systems for non-official purposes, in violation of two sections of the DPM and one PSPD General Order. The investigation resulted in three recommendations to PSPD, including addressing the Lead Police Officer's conduct with appropriate administrative action and having all PSPD employees with access to confidential computer databases sign an appropriate Use Policy.

### **Misconduct Violations by a DHS Facilities Shelter Home Coordinator**

An OIG investigation revealed that a DHS employee violated four sections of the DPM when he used his official government position to solicit business from a property owner for his

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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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personal gain. The investigation determined that the DHS employee had, while acting as a District government official, solicited and received money from the homeowner in exchange for promising to obtain a Department of Consumer and Regulatory Affairs (DCRA) master construction permit and to prevent any further DCRA inspections of the homeowner's home. The investigation also revealed that the DHS employee was less than truthful with investigators when he denied any personal or business contact with the homeowner, receiving money from the homeowner, and promising to assist the homeowner with obtaining a DCRA master construction permit and preventing future DCRA inspections at the homeowner's home. The OIG recommended that DHS address the employee's conduct with appropriate administrative action.

### 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 2012, the OIG referred a total of 485 matters to the District agencies set forth in Appendix O. Appendix P details FY 2012 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 to appropriate federal, state, and local agencies throughout the country matters that do not warrant formal investigation by ID, do not relate to 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

#### **Concern About Signage on District of Columbia Department of Transportation (DDOT) Parking Meters**

The OIG received a complaint that DDOT parking meters on the east side of the 4500 block of 40<sup>th</sup> Street, N.W. are misleading. DDOT reported to the OIG that its parking meter staff performed a field evaluation of the block and determined that all meters were operable and properly signed. Each meter has a decal stating that the hours of operation are Monday through Friday from 7:00 a.m. to 6:30 p.m. Additionally, there is a second decal that states that these meters also are in operation on Saturdays, during the same hours.

#### **Property Owner Failed to Comply with District Regulations**

A complainant informed the OIG that a property owner broke up concrete walkways and alleyways without appropriate permits and constructed a large garage on his property. DCRA

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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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investigated the matter and reported that it found no evidence that the property owner destroyed concrete walkways and alleys in connection with the construction on the property. DCRA reported, however, that the property owner failed to comply with District laws and regulations for putting up a garage without proper permits. DCRA fined the property owner \$1,000 and issued a stop work order.

### **DOES Supervisor Involved in an Accident with a District Government Vehicle While Driving With a Suspended License**

The OIG received a complaint alleging that a DOES supervisor was involved in an accident while driving a District government vehicle, left the scene of the accident without notifying the MPD, failed to notify his superiors of the accident, failed to file an accident report, failed to appear in Montgomery County circuit court to answer a charge of driving on a suspended license, and currently is operating a District government vehicle with a suspended driver's license. DOES reported that after a thorough review of the employee's driver's license history, the employee's driving privileges were suspended and, therefore, the employee was not authorized to drive a vehicle. DOES took administrative action against the employee.

### **Complaints Regarding Department of Motor Vehicles' (DMV) Adjudication of Parking Tickets**

The OIG routinely receives complaints regarding DMV's adjudication of parking tickets. Often, the OIG refers these complaints to DMV, requesting that DMV respond with an explanation of what occurred and information regarding how the matter was resolved. In one complaint, a Virginia resident complained of receiving a parking ticket for a "No Parking Anytime" violation in northwest D.C., even though neither the resident nor her vehicle was in the District on the indicated date. DMV responded that it reviewed the Virginia resident's complaint on three occasions. On the first two occasions, it found that no evidence had been submitted to show that the vehicle was not in the District on the date of the parking ticket. On the third occasion, after receiving a communication from the Virginia resident, it suspended the ticket from enforcement action pending a review by a hearing examiner. DMV also noted that the Virginia resident had not filed a formal appeal of the parking ticket with the Traffic Adjudication Appeals Board.

In another complaint, a D.C. resident claimed that she received a citation and submitted a request for adjudication by mail, but was not notified of the adjudication decision within 6 months, as required. DMV responded to the OIG that the ticket was adjudicated within 6 months of receipt and the D.C. resident was found liable. The D.C. resident submitted a subsequent request for reconsideration, which was denied. DMV also stated that although it does not have a policy as to how long mail adjudication requests will take, it tries to provide customers with an estimated time frame to avoid them calling or emailing to check on the status of their adjudication requests. DMV noted that it does have a performance measure

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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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that 75% of its mail adjudication requests will be completed within 150 days and that, as of July 2012, it had met 77% of its goal.

### **Fire and Emergency Medical Services Department (FEMS) Emergency Medical Technician (EMT) Alleged to be Consuming Alcohol and Using Marijuana Before Reporting for Duty**

The OIG referred to FEMS a complaint alleging that an FEMS EMT was reporting to duty after having consumed alcohol and using marijuana. FEMS reported that a drug and alcohol test administered to the EMT revealed negative results for alcohol and marijuana use.

### **Department of Public Works (DPW) Employee Hired as a Manager Even Though the Position was not Posted**

DPW responded to an OIG referral of a complaint that a DPW Fleet Maintenance Administration manager had been hired even though the position was not posted. DPW reported that, with the approval of the Department of Human Resources and pursuant to District Personnel Manual regulations, the employee was temporarily appointed to the unposted position. For temporary appointments, there is no requirement that the position be posted.

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**ACTIVITIES OF  
THE MEDICAID FRAUD CONTROL UNIT**

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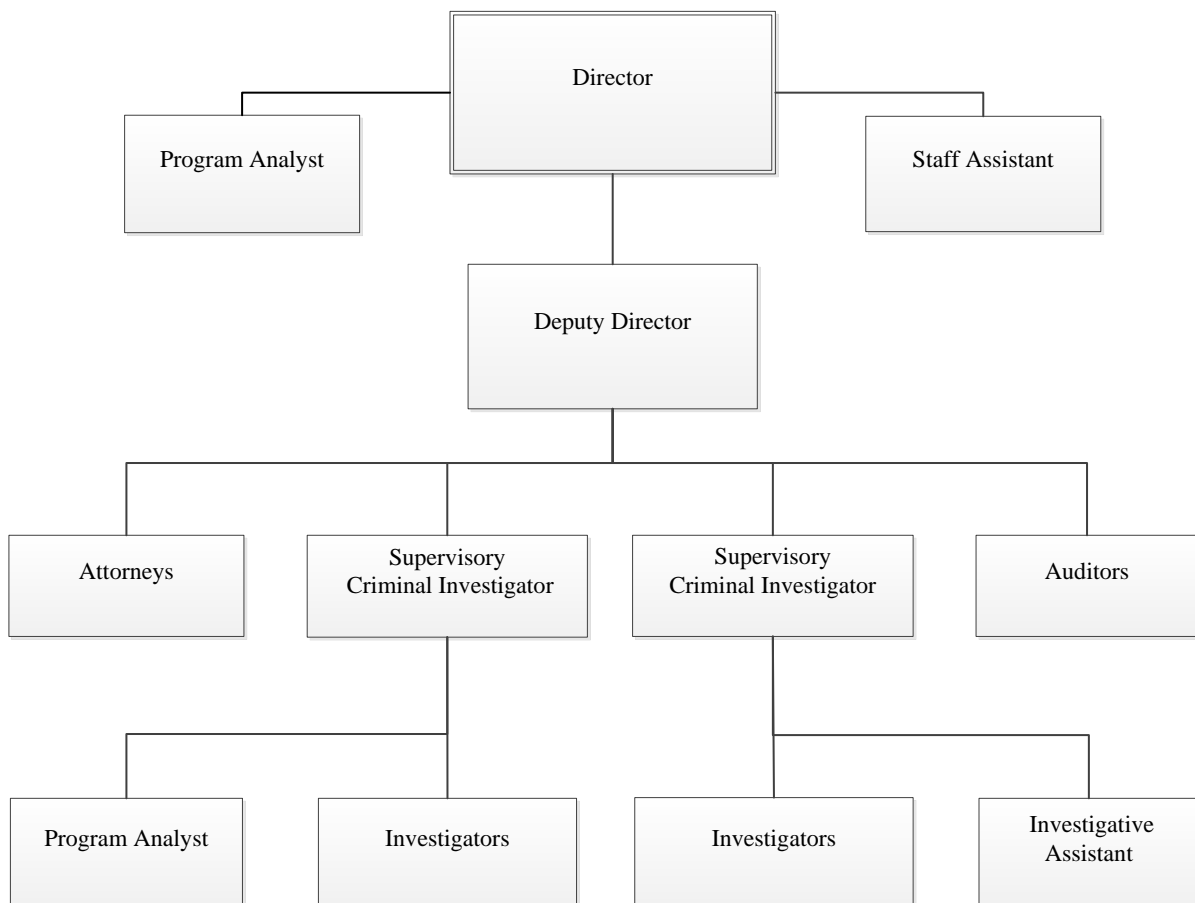
## ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT

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### 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, 2012



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## ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT

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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.

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), and other law enforcement entities, administrators of care facilities, and concerned citizens including Medicaid recipients. In total, the MFCU received more than 3,200 complaints, incidents reports, and referrals in FY 2012.

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

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## ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT

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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 the 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.

### *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 to the MFCU.<sup>4</sup> 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 participates as faculty in a program for the National

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<sup>4</sup> See 42 CFR § 455.15(a)(1).

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## ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT

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Association of District Attorneys, teaching state prosecutors about elder abuse. Additionally, the Director, who is both a registered nurse and an attorney, served as a guest lecturer during Grand Rounds at the United Medical Center, instructing doctors, nurses, and other healthcare professionals about fraud, abuse and neglect, and sexual assault. 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 China.

A MFCU attorney, who is an adjunct faculty member at American University Washington College of Law, lectured about law and enforcement efforts to combat fraud as part of a course entitled “Legal Issues in Health Care Fraud and Abuse.” This same attorney served as a lecturer for the *Developments and Trends in Health Care Law 2012* conference that was held at Samford University’s Cumberland School of Law. In addition, he spoke at Temple University’s Beasley School of Law on Medicare and Medicaid Fraud and Abuse, and Health Care Reform. He also gave a presentation at the American Conference Institute’s *In-House Counsel Forum on Government Regulation of Prescription Drug Pricing*.

### ***Other Professional Activities***

In addition to their prosecutorial efforts, the 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 on the National Association of Medicaid Fraud Control Units (NAMFCU) Resident Abuse and Training 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’s Prescription Drug Fraud Interest Group. One MFCU Program Analyst successfully obtained recognition as a Certified Property and Evidence Specialist from the International Association for Property and Evidence. The MFCU Director spoke about “Eyewitness Identification” at NAMFCU’s 2012 Annual Training Program in New York City and a MFCU staff attorney made a presentation on “Supreme Court Update on GPS Technology.” The MFCU Director also spoke at the NAMFCU Directors Symposium on the subject of “Incorporating Abuse and Neglect Matters into Your Caseload.”

In FY 2012, MFCU staff offered various training presentations to their colleagues in areas of interest to all. Presentations included Supreme Court updates, Effective Communication with People Who Are Deaf, First Response to Victims of Crime, Sexual Assault of Victims

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## ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT

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with Developmental Disabilities, Warrant/Arrest Process, Writing Tips, and Civil Justice. 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 Medical Terminology.

During FY 2012, 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, Medicaid Fraud 101 and 102 Training Programs, the National District Attorney's Association Prosecuting Sexual Assaults Training Program, Responding to Crime Victims with Disabilities by the National Center for State Courts (NCSC), Global *Qui Tam* Training, and the NHCAA's Health Care Fraud Investigator's Boot Camp.

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),<sup>5</sup> or a "whistleblower" lawsuit under the federal FCA.<sup>6</sup> The D.C. and federal FCA 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 120 allegations of fraud against the D.C. Medicaid program, 5 of which are *qui tam* suits. The MFCU is also participating, to varying degrees, in 279 multi-state *qui tams*. These actions concern a broad range of healthcare providers and alleged fraudulent 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.

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<sup>5</sup> D.C. Code §§2-381.01 – 2-381.09 (2011).

<sup>6</sup> False Claims Act, 31 U.S.C. §§ 3729- 3733.

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## ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT

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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, MFCU attorneys, in consultation with the Director and USAO and OAG attorneys, are 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.

### *United States v. Emor*

In FY 2012, the MFCU worked with the USAO to resolve a matter it had investigated, along with the Investigations Division, the FBI, and HHS OIG for several years. Among the allegations included in the investigation was 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 they were billed. The resolution of this criminal fraud matter resulted in an order of restitution to the District government in an amount exceeding \$2.3 million.

The defendant founded a private school, SunRise, for special needs students in the District of Columbia, and ran the school for 10 years. After coming under investigation for misuse of SunRise funds, he 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 his plea agreement, the parties agreed that the District Court judge would consider evidence presented by the parties at an evidentiary hearing and then determine the amount of loss, the amount of restitution owed, the identity of the victim(s), the amount of a forfeiture money judgment, and whether specific property that had been seized by the government was subject to criminal forfeiture. After a lengthy evidentiary hearing on these issues, 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. The manner in which this restitution and forfeiture money is distributed will be determined at a hearing in the coming year and reported in the FY 2013 Annual Report. Thus, the calculation of the total dollars recovered by the MFCU in FY 2012 does not include any restitution amount from this case.

### *United States v. Wheeler*

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. According to the government's evidence at trial, the defendant was the chief executive officer of the Health Advocacy Center, Inc., as well as the owner of Sheridan Rehabilitative and Wellness Centers, Inc. Beginning in January 2006 and continuing through

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## ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT

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April 2008, the defendant submitted false claims through Health Advocacy Center, Inc. for services that were not provided. In performing therapeutic procedures such as manual therapy, healthcare providers are required to bill in 15-minute intervals or units. Although there are only 1,440 minutes in a day, the defendant routinely billed D.C. Medicaid from 1,440 continuous minutes of manual therapy for a single patient in a 24-hour period to as many as 2,910 continuous minutes (or 48.5 hours) of manual therapy for a single patient in a 24-hour period. D.C. Medicaid paid the Health Advocacy Center in excess of \$2.5 million for manual therapy services that were not provided to the patients. She collected at least \$2.6 million before the activities were detected. Evidence showed that she used the proceeds of her fraud, among other things, to support the purchase of four luxury vehicles, two beachfront properties in Florida, and her home.

Following her conviction, the judge ordered that the defendant be held in custody pending sentencing, at which time the defendant faces a maximum sentence of 10 years in prison and a \$250,000 fine for the healthcare fraud conviction and 5 years in prison and a \$250,000 fine for each of the false statements convictions. Her final sentence, including the restitution ordered by the court, will be included in the Annual Report for FY 2013.

### *United States v. Rafi*

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. DC Medical is a provider of medical equipment and other items to Medicaid beneficiaries, including incontinence supplies and garments, wheelchairs, and other medical devices. During their plea, the defendants admitted that from January 2007 through December 2010, they submitted false claims to D.C. Medicaid for incontinence products that were never provided to D.C. Medicaid beneficiaries. As a result of the fraud, they derived at least \$70,000 in profits. Although the District Court has not yet issued its sentencing order, in addition to restitution, the defendants each face a maximum of 10 years in prison and a \$250,000 fine. Under the advisory federal sentencing guidelines, the likely range of imprisonment is 6 to 12 months. The final resolution of this case, including restitution ordered, will be included in the Annual Report for FY 2013.

### *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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## ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT

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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 2012, 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.

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

### ***Global Settlements***

In FY 2012, the District recovered nearly \$3.8 million for the Medicaid program from eight global settlements.

#### ***Novo Nordisk Inc.***

The District of Columbia collaborated with other states and the federal government to reach an agreement with pharmaceutical manufacturer Novo Nordisk Inc., a subsidiary of Novo Nordisk U.S. Holdings, to settle allegations of improper off-label marketing of the drug NovoSeven Coagulation Factor VIIa (NovoSeven). The settlement called for Novo Nordisk to pay the states and the federal government a total of \$25 million to resolve false claims incurred against the federal Medicare and state Medicaid programs for the unlawful marketing of NovoSeven. NovoSeven is only approved by the Food and Drug Administration (FDA) to treat specific bleeding disorders for persons with hemophilia or certain blood disorders; however, Novo Nordisk knowingly promoted the drug to control bleeding in all trauma patients who experience severe bleeding, which exceeds its approved use. The District received \$49,570 as part of the \$7.5 million recovered for state Medicaid

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## ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT

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programs. As part of the settlement, Novo Nordisk also entered into a Corporate Integrity Agreement with HHS.

### *Pfizer, Inc.*

The District of Columbia collaborated with other states and the federal government to reach a \$14 million global settlement with Pfizer, Inc. (Pfizer). This settlement resolved allegations that Pfizer engaged in illegal, off-label marketing schemes to promote the sales of its urology drug Detrol for uses that were not approved by the FDA, including benign prostate hyperplasia, bladder outlet obstruction, and lower urinary tract symptoms. The settlement returned \$12,619 to the state's Medicaid program as part of the \$5,576,923 from the global settlement that was designated as Medicaid program recovery.

### *KV Pharmaceutical Company*

KV Pharmaceutical Company, which was the St. Louis-based parent company of now-defunct Ethex Corporation, paid the states and the federal government a total of \$17 million to compensate Medicaid and various federal healthcare programs for its conduct. Ethex is alleged to have submitted false quarterly reports to the government related to a pair of drugs, Nitroglycerin Extended Release Capsules (Nitroglycerin ER) and Hyoscyamine Sulfate Extended Release Capsules (Hyoscyamine ER). The state Medicaid share of the settlement was \$6,841,305, of which the District of Columbia received \$13,654.

### *Merck Sharp & Dohme Corp.*

The federal government, states, and the District of Columbia reached an agreement with Merck Sharp & Dohme Corp. (Merck) to resolve allegations that Merck marketed its drug Vioxx for uses not approved by the FDA, misrepresented the cardiovascular safety issues relating to the drug, and otherwise made false and misleading representations about Vioxx. Vioxx (generic name rofecoxib) is a non-steroidal anti-inflammatory medication that was approved by the FDA in 1999 for the treatment of osteoarthritis, acute pain conditions, and dysmenorrhea. On September 30, 2004, Merck voluntarily withdrew Vioxx from the market worldwide, citing an increase in the incidence of adverse cardiovascular events in patients taking Vioxx. Merck allegedly marketed Vioxx for the treatment of rheumatoid arthritis before the FDA approved the drug for that use, and Merck allegedly promoted the cardiovascular safety of Vioxx by means of certain statements and writings that were inaccurate, misleading, and inconsistent. In the national settlement, Merck paid the states and the federal government a total of \$615 million in civil damages and penalties to Medicaid, Medicare, and other federally-funded healthcare programs. The District received \$257,173 as its part of the settlement. In addition to the civil settlements, Merck agreed to plead guilty to a violation of the Food, Drug, and Cosmetic Act and to pay a criminal fine of \$321 million.

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## ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT

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### *Dava Pharmaceuticals, Inc.*

The District of Columbia collaborated with other states and the federal government to settle allegations that between October 1, 2005, and September 30, 2009, Dava Pharmaceuticals, Inc. (Dava) underpaid its rebate obligations under the Medicaid Prescription Drug Rebate Program. Under that program, participating drug companies are required to pay quarterly rebates to state Medicaid programs based, in part, on whether the drug is a “generic” or “branded” product. Dava treated its version of the drugs cefdinir, clarithromycin, and methotrexate as “generic” drugs, rather than “branded” drugs, thereby lowering the overall percentage rebate payable to Medicaid. In addition, Dava further reduced its Medicaid rebate obligations by incorrectly calculating average manufacturer prices for its versions of the drugs, thereby overcharging Medicaid and other federal healthcare programs for these drugs. Dava paid the states and the federal government a total of \$11 million under the settlement, and the District’s share of those proceeds was \$7,896.

### *Medtronic, Inc.*

The federal government, states, and the District of Columbia reached an agreement with Medtronic, Inc. (Medtronic) to resolve allegations that Medtronic paid kickbacks to physicians for implanting Medtronic devices in patients in connection with four research studies conducted by Medtronic from 2003 through 2006. Each of the research studies required the implantation of a Medtronic pacemaker or ICD, and Medtronic paid a fee to each physician for participating in the studies. The investigation found that Medtronic solicited physicians to participate in the research studies in order to induce them to continue using Medtronic products or convert their business from a competitor’s product. The District received \$6,407 in the settlement.

### *GlaxoSmithKline, LLC*

GlaxoSmithKline (GSK) agreed to pay \$3 billion to resolve allegations that GSK engaged in various illegal schemes related to the marketing and pricing of drugs it manufactures, including Avandia, Paxil, Wellbutrin, Advair, Lamictal, Zofran, Imitrex, Valtrex, Flovent, and Lotronex. As part of the settlement, GSK paid to the states and the federal government a total of \$2 billion in damages and civil penalties to compensate various federal healthcare programs, including Medicaid, for harm allegedly suffered as a result of the illegal conduct. As part of this settlement, D.C. received \$2,217,815 in recoveries from GSK. In addition, GSK agreed to plead guilty to federal criminal charges relating to drug labeling and FDA reporting and agreed to pay a \$1 billion criminal fine in connection with those allegations.

### *McKesson Corporation*

As part of a settlement with the federal government and the states, the District of Columbia resolved allegations that McKesson Corporation (McKesson) violated the federal False Claims Act and various state false claims acts, by reporting inflated pricing data for a large number of prescription drugs, causing the District’s Medicaid program to overpay for those drugs. The drug pricing data at issue in this settlement concerns the “Average Wholesale

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## ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT

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Price” (AWP) benchmark used by most states, including D.C., to set pharmacy reimbursement rates for pharmaceuticals dispensed to D.C. Medicaid beneficiaries. It was alleged that McKesson, one of the largest drug wholesalers in the country, reported inflated AWP pricing data to First Data Bank (FDB), a publisher of drug prices, thereby inflating many AWP prices that are used by D.C. to set reimbursement. The federal government settled the federal portion of this lawsuit for over \$187 million and the states settled their remaining claims for an additional \$151 million. The District’s total recovery through these two settlements for damages incurred by the D.C. Medicaid program as a result of McKesson’s actions was \$1,233,979.

### 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.

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.”<sup>7</sup> 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, to assist in the MFCU’s investigation, and to 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

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<sup>7</sup> D.C. Code §§ 22-931 – 22-936 (Supp. 2011).

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## ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT

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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 2012, the MFCU resolved two matters involving crimes against persons, both of which were resolved with guilty pleas.

### *Abuse and Neglect*

The MFCU obtained one conviction in a case charging a defendant with criminal neglect.

#### *United States v. Ogunleye*

The defendant was the caregiver for an 81-year-old man with significant cognitive and developmental disabilities. She bathed him in a bathtub, and after the bath, noticed that his buttocks were redder than usual. The defendant finished her work day without completing the necessary paperwork to document the patient's condition and without notifying a nurse of the abnormal color of the patient's skin, as required. Several hours later, another caregiver discovered the patient's condition; a physician assessed him, and advised that the patient be immediately taken to the Emergency Room, where he was diagnosed with first-degree and second-degree burns to his genitals, buttocks, and feet. The defendant subsequently pled guilty to criminal negligence in the Superior Court of the District of Columbia. The judge sentenced the defendant to 30 days in jail but suspended the time provided she successfully completes 6 months of probation. The judge also ordered the defendant to disclose her conviction in seeking any employment as a Certified Nursing Assistant, and further ordered her to pay \$50 toward the Victims of Violent Crime Compensation Act Fund.

### *Sexual Assault*

The MFCU investigates and prosecutes sexual assaults committed against vulnerable adults. Physical and cognitive impairments make elderly and other vulnerable adults especially vulnerable to sexual predators because they are easy to overpower or manipulate, and less likely to report sexual assaults than other victims.

#### *United States v. Wright*

The defendant was employed by a transportation company as a driver for adults with cognitive disabilities. The investigation revealed the defendant had engaged in sexual activity with one of the passengers in his care who had cognitive disabilities. The defendant pled guilty to attempted first degree sexual abuse of a ward and the Superior Court judge

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## ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT

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sentenced him to 24 months in jail, with all but 8 months suspended, and 2 years of supervised probation. The judge also barred the defendant from working with the vulnerable population, and ordered him to attend anger management counseling and pay \$100 toward the Victims of Violent Crime Compensation Act Fund. The defendant was also required to register as a sexual offender for a period of 10 years.

### *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.

The MFCU anticipates issuing a Management Alert Report (MAR, discussed below) in FY 2013 to address this widespread problem.

### MANAGEMENT ALERT REPORTS

The MFCU periodically issues Management Alert Reports (MARs) to District agencies whose jurisdiction impacts Medicaid recipients or the Medicaid program. These MARs contain recommendations to correct problems or address weaknesses that the MFCU staff has identified during its investigations.

In FY 2012, the MFCU issued three MARs related to protecting the Medicaid program or vulnerable citizens. One MAR addressed billing practices by hospice care providers, and recommended that the Department of Health Care Finance (DHCF) issue written guidance mandating several changes to the certification forms used to justify payment of hospice benefits on behalf of Medicaid recipients. A second MAR addressed the Metropolitan Police Department's (MPD) reporting of incidents involving vulnerable citizens who live in group residences such as community residence and long-term care facilities, and recommended that MPD implement several changes in its procedures to ensure that all such incidents are properly documented in written reports that are retrievable and available for use by other agencies, including the MFCU, in other investigations related to those incidents. A third MAR addressed the safety of vulnerable citizens transported on Medicaid-funded transportation vehicles, and included recommended changes to better protect those citizens when they are in the care of transportation providers.

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## ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT

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### 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.

In FY 2012, the MFCU received 3,216 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 25 reports, complaints, or referrals regarding fraud, abuse, neglect, or theft.

The MFCU performance-based budget goal was to resolve 20 cases in FY 2012. The MFCU fell short of that goal by resolving 13 matters; however, one of those cases alone resulted in a jury verdict convicting a healthcare provider of 35 separate felony offenses. The MFCU is currently investigating 213 matters (exclusive of the 284 *qui tam* matters previously mentioned), 122 of which are fraud, 65 relate to allegations of abuse or neglect, and 26 involve allegations of theft of funds or property. Of the investigations the MFCU initiated in FY 2012, 41 involved allegations of provider fraud, 127 were the result of reports of abuse or neglect, and 23 were funds-related. In FY 2012, the MFCU recouped \$3,799,116 in civil and criminal fraud settlements, thereby generating more than \$4.50 for every District dollar of funding.

The MFCU's performance measures for 2012 are shown in Appendix Q. A comparison of the MFCU's FY 2011 and FY 2012 performance statistics is detailed in Appendix R.

### CONCLUSION

In FY 2012, the MFCU processed 3,241 incoming unusual incident reports, complaints, or referrals, initiated 191 investigations and closed 107 matters. Through trial or settlement, the MFCU attained 13 substantive dispositions of outstanding fraud, abuse, neglect, and sexual assault cases, including a case in which the defendant was convicted of 35 separate felony offenses. The MFCU also recovered substantial monies in restitution to the Medicaid program through participation in eight 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 2013, 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.

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## **APPENDICES**

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**FISCAL YEAR 2012 TESTIMONY  
BY THE INSPECTOR GENERAL**

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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 2012.

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 on the Utilization of Certified Small Business Enterprises and Certified Business Enterprises
April 18, 2012	Testimony Before the Committee on Government Operations – Fiscal Year 2013 Budget Review
February 16, 2012	Testimony Before the Committee on Government Operations – Fiscal Year 2011 Performance Oversight Hearing
February 06, 2012	Testimony Before the Committee of the Whole – Public Oversight Roundtable on the “Fiscal Year 2011 Comprehensive Annual Financial Report (CAFR)”
January 26, 2012	Testimony Before the Committee on Finance and Revenue – Public Oversight Hearing on the Matter of i-Gaming and Public Hearing on Bill 19-474, The “Lottery Amendment Repeal Act of 2011”

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**FISCAL YEAR 2012 PRESS HIGHLIGHTS**

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

“No legal, ethical wrongdoing in D.C. Council lottery deal, inspector general concludes”  
January 20, 2012 (WP)

“IG: D.C. Lottery partner misrepresented experience”  
January 23, 2012 (WT)

“Former ANC Commissioner Pleads Guilty to Fraud, Admits Misuse of More Than \$28,000  
in Government Funds”  
January 27, 2012 (DOJ Press Release)

“DC Workers Face Firing For Unemployment Fraud”  
February 6, 2012 (WUSA9)

“D.C. online gambling deal dead; questions buried”  
February 12, 2012 (WT)

“St. Louis-Based KV Pharmaceutical to Pay \$17 Million to Settler False Claims Allegations”  
February 23, 2012 (OIG Press Release)

“Dava Pharmaceuticals to Pay \$10.8 Million to Settle Claims Based on Rebate Violations”  
March 19, 2012 (OIG Press Release)

“Former D.C. Tax Examiner Sentenced to 30 Months in Prison in Scam Involving More  
Than \$400,000 in Refunds”  
March 19, 2012 (DOJ Press Release)

“Report: D.C.’s emergency river rescue boat ‘obsolete’”  
March 26, 2012 (Examiner)

“61 District employees fired for role in scam”  
April 18, 2012 (Examiner)

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**References:** *The Washington Post* – **WP** · *The Washington Times* – **WT** · *The Washington Examiner* – **Examiner** · United States Department of Justice – **DOJ** · *The Washington Business Journal* – **WBJ** · WUSA9/Gannett – **WUSA9** · WTOP and Hubbard Radio, LLC – **WTOP**

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FISCAL YEAR 2012 PRESS HIGHLIGHTS

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“Report: DCPS not drug testing employees as required”  
May 6, 2012 (Examiner)

“D.C. bar inspector who abused power leaves government”  
May 7, 2012 (Examiner)

“Two Former District Department of the Environment Officials Sentenced to a Year in  
Prison on Federal Bribery Charges”  
May 21, 2012 (DOJ Press Release)

“Abbott Laboratories to Pay \$1.5 Billion Health Care Fraud Settlement”  
May 21, 2012 (OIG Press Release)

“IG: District committee on violent youth 15 months late”  
June 3, 2012 (Examiner)

“Gray nominates member for youth runaway panel”  
June 19, 2012 (WT)

“GlaxoSmithKline to Pay \$3 Billion to Settle Drug Marketing and Pricing Claims”  
July 10, 2012 (OIG Press Release)

“Owners of Medical Equipment Company Plead Guilty to Federal Charge of Health Care  
Fraud”  
August 6, 2012 (DOJ Press Release)

“Report: D.C. Shelter filled with risks”  
August 7, 2012 (Examiner)

“Investigators find test security problems at a D.C. school”  
August 8, 2012 (WP)

“D.C. investigators find no widespread test cheating”  
August 9, 2012 (WTOP)

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**References:** *The Washington Post* – **WP** · *The Washington Times* – **WT** · *The Washington Examiner* – **Examiner** · United States Department of Justice – **DOJ** · *The Washington Business Journal* – **WBJ** · WUSA9/Gannett – **WUSA9** · WTOP and Hubbard Radio, LLC – **WTOP**

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FISCAL YEAR 2012 PRESS HIGHLIGHTS

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“IG report: No widespread school-test cheating in D.C.”  
August 8, 2012 (WT)

“Delayed audit on D.C. tax office now under scrutiny”  
August 10, 2012 (Examiner)

“Report: DCPS efforts to curb truancy hurt by understaffing”  
August 15, 2012 (Examiner)

“Another sign D.C. school reform works”  
August 25, 2012 (WP)

“IG: D.C. homeless shelter hired felons”  
August 29, 2012 (Examiner)

“Report: Inspectors neglected D.C.’s largest homeless shelter”  
September 5, 2012 (Examiner)

“D.C. to examine contractor taxes”  
September 14, 2012 (WBJ)

“Audit: D.C. agency didn’t report abuses of adults to cops”  
September 26, 2012 (Examiner)

“D.C. agencies failed to follow own watchdog’s advice”  
September 27, 2012 (Examiner)

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**References:** *The Washington Post* – **WP** · *The Washington Times* – **WT** · *The Washington Examiner* – **Examiner** · United States Department of Justice – **DOJ** · *The Washington Business Journal* – **WBJ** · WUSA9/Gannett – **WUSA9** · WTOP and Hubbard Radio, LLC – **WTOP**



## FISCAL YEAR 2012 FOIA REPORTING

Performance Statistics	FY 2012
Number of FOIA requests received during reporting period	83
Number of FOIA requests processed within 15 days	62
Median number of days to process FOIA requests	13
Number of staff hours devoted to processing FOIA requests	2080



**AUDIT ARTICLES AND ABSTRACTS PUBLISHED IN FISCAL YEAR 2012**

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Slemo Warigon, *Using CCH TeamMate R10 to Tack and Measure Audit Performance*, LOCAL GOVERNMENT AUDITING QUARTERLY, Volume 25, Number 4, Summer 2012; pp. 37-40.

Abstract, “*Audit of the District’s Condominium Conversion Fees*,” LOCAL GOVERNMENT AUDITING QUARTERLY, Volume 25, Number 4, Summer 2012; p. 63.

Abstract, “*Audit of Medicaid Claims at the Department of Health Care Finance*,” LOCAL GOVERNMENT AUDITING QUARTERLY, Volume 25, Number 4, Summer 2012; p. 63.

Abstract, “*Audit of the Construction Contracts Awarded Under the American Recovery and Reinvestment Act (ARRA) by the District of Columbia Department of Transportation*,” LOCAL GOVERNMENT AUDITING QUARTERLY, Volume 25, Number 4, Summer 2012; p. 67.

Abstract, “*Report on Noncompliance with the Requirement to Perform Cost Analyses*,” LOCAL GOVERNMENT AUDITING QUARTERLY, Volume 25, Number 4, Summer 2012; p. 68.

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**FISCAL YEAR 2012 AUDIT DIVISION  
PERFORMANCE MEASURE STATISTICS**

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<b>Activity</b>	<b>FY 2012 Target</b>	<b>FY 2012 Actual</b>
Final Audit Reports Issued	28	28
District agencies provided with audit coverage/presence	25%	29%
Potential monetary benefits identified by OIG audits	\$38 Million	\$75 Million

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**FISCAL YEAR 2012 AUDIT COVERAGE**


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<b>No</b>	<b>Code</b>	<b>Agency/Office</b>
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	BY	D. C. Office on Aging
6	CR	Department of Consumer and Regulatory Affairs
7	DB	Department of Housing and Community Development
8	DC	D. C. Lottery and Charitable Games Control Board
9	ES	Washington Convention and Sports Authority
10	GA	District of Columbia Public Schools
11	GD	Office of the State Superintendent of Education
12	GG	University of the District of Columbia
13	HT	Department of Health Care Finance
14	HW	Not-for-Profit Hospital Corporation
15	KA	District Department of Transportation
16	LA	DC Water
17	PO	Office of Contracting and Procurement
18	RK	D.C. Office of Risk Management
19	TO	Office of the Chief Technology Officer
20	UC	Office of Unified Communications



## FISCAL YEAR 2012 AUDIT COST AND RECOMMENDATION STATISTICS

	Audit Title, Number, Date Issued	Recommendations		
		Cost <sup>1</sup>	Made	Status <sup>2</sup>
1	District Department of Transportation's Highway Trust Fund Financial Statement Audit for the Fiscal Year Ended September 30, 2011, OIG No. 11-1-29KA, February 1, 2012	\$97,990	2	2 – Open
2	Comprehensive Annual Financial Report of the Government of the District of Columbia for the Fiscal Year Ended September 30, 2011, OIG No. 12-1-01MA, February 2, 2012	\$1,149,949	17	17 – Closed
3	District of Columbia's Independent Auditors' Report on Internal Control Over Financial Reporting for the Fiscal Year Ended September 30, 2011, OIG No. 12-1-02MA, February 10, 2012			
4	Audit of the Construction Contracts Awarded Under the American Recovery and Reinvestment Act to the District's Department of Transportation, OIG No. 10-1-13KA, February 15, 2012	\$231,325	10	3 – Open 7 – Closed
5	Audit of Medicaid Claims at the Department of Health Care Finance, OIG No. 09-2-29HF, February 16, 2012	\$304,847	5	3 – Open 2 – Closed
6	District of Columbia's Lottery and Charitable Games Control Board Financial Statements, and Management's Discussion and Analysis (With Independent Auditors Report) for Fiscal Year Ended September 30, 2011, OIG No. 12-1-04DC, February 16, 2012	\$93,444	0	
7	Audit of the District's Condominium Conversion Fees, OIG No. 08-1-18CR, February 17, 2012	\$138,971	41	12 – Open 29 – Closed
8	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, 2011, and 2010, OIG No. 12-1-03GG, February 17, 2012	\$551,382	0	
9	Not-for-Profit Hospital Corporation's United Medical Center (UMC) Financial Performance for Fiscal Years Ended September 30, 2011, and 2010, OIG No. 12-1-06HW, February 29, 2012	\$345,712	0	

## FISCAL YEAR 2012 AUDIT COST AND RECOMMENDATION STATISTICS

	Audit Title, Number, Date Issued	Recommendations		
		Cost <sup>1</sup>	Made	Status <sup>2</sup>
10	Washington Convention and Sports Authority Financial Statements and Management Discussion and Analysis, and Independent Auditors' Report for Fiscal Years Ended September 30, 2011, and 2010, OIG No. 12-1-05ES, March 2, 2012	\$91,318		
11	Washington Convention and Sports Authority Report of Internal Control Over Financial Reporting and on Compliance and Other Matters for Fiscal Years Ended September 30, 2010, and 2011, OIG No. 12-1-05ES(a), March 2, 2012			
12	J.B. Johnson Nursing Center Independent Auditors' Report and Report on Internal Control Over Financial Reporting for the Period October 1, 2010, to December 13, 2010, OIG No. 12-1-07BY, March 2, 2012	\$7,117	0	
13	District of Columbia's Water and Sewer Authority Financial Statements and Independent Auditors' Report for the Years Ended September 30, 2011, and 2010, OIG No. 12-1-08LA, March 9, 2012	\$7,117	0	
14	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 2011, OIG No. 11-1-29KA(a), March 15, 2012	\$21,337	0	
15	Report on Noncompliance with the Requirement to Perform Cost Analyses, OIG No. 10-1-19TO(b), March 22, 2012	\$8,767	2	2 – Open
16	District of Columbia's E911/E311 Special Revenue Fund Financial Statements With Independent Auditors' Report for Fiscal Year Ended September 30, 2011, OIG No. 12-1-09UC, April 3, 2012	\$79,175	0	
17	District of Columbia Public Schools Annual Budgetary Comparison Schedule Governmental Funds and Supplemental Information for Fiscal Year Ended September 30, 2011, OIG No. 12-1-10GA, April 3, 2012	\$228,097	0	
18	District of Columbia Memorandum of Recommendations for Fiscal Year Ended September 30, 2011, OIG No. 12-1-12MA, May 10, 2012	Included in cost of CAFR	45	45 – Closed

## FISCAL YEAR 2012 AUDIT COST AND RECOMMENDATION STATISTICS

	Audit Title, Number, Date Issued	Recommendations		
		Cost <sup>1</sup>	Made	Status <sup>2</sup>
19	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, 2011, OIG No. 12-1-03GG(a), May 14, 2012	Included in cost of Audit #8 above	4	4 – Closed
20	Not-for-Profit Hospital Corporation United Medical Center Report on Internal Control Over Financial Reporting and on Compliance and Other Matters for Fiscal Year Ended September 30, 2011, OIG No. 12-1-06HW(a), May 14, 2012	Included in cost of Audit #9 above	8	8 – Closed
21	Home Purchase Assistance Program, Financial Statement Audit and Report on Internal Control Over Financial Reporting and Compliance for the Fiscal Year Ended September 30, 2011, With Independent Auditors' Report Thereon, OIG No. 12-1-14TDB, June 1, 2012	\$44,479	7	7 – Closed
22	Exercising Information Technology Staff Augmentation (ITSA) Contract Option Year 4, OIG No. 10-1-19TO(b), March 22, 2012	\$21,152	0	
23	Audit of the Management of Truancy at District of Columbia Public Schools, OIG No. 09-1-32GA, August 10, 2012	\$120,788	5	2 – Open 3 – Closed
24	Audit of the Office of the State Superintendent of Education's Non-Public Tuition Program, OIG No. 09-1-36MA, August 28, 2012	\$79,412	8	3 – Open 5 – Closed
25	District of Columbia Unemployment Compensation Fund - Financial Statements and Management's Discussion and Analysis (With Independent Auditors' Report Thereon) - Years Ended September 30, 2011, and 2010, OIG No. 12-1-18BH, August 31, 2012	\$62,680	0	
26	District of Columbia Annuitants' Health and Life Insurance Employer Contribution Trust Fund - Financial Statements With Independent Auditors' Report Thereon) - Fiscal Years Ended September 30, 2011, and 2010, OIG No. 12-1-19MA, September 4, 2012	\$67,002	0	
27	Triennial Follow-up Audit of the District Agencies' Implementation of Audit Recommendations for FYs 2008-2010, OIG No. 11-1-08MA(a), September 21, 2012	\$157,387	2	2 – Open

## FISCAL YEAR 2012 AUDIT COST AND RECOMMENDATION STATISTICS

	Audit Title, Number, Date Issued	Recommendations		
		Cost <sup>1</sup>	Made	Status <sup>2</sup>
28	Report on Exercising Information Technology Staff Augmentation (ITSA) Contract Option Year 4, OIG No. 10-1-19TO(c), September 27, 2012	\$48,844	2	2 – Open
	<b>Totals</b>	<b>\$3,958,292</b>	<b>158</b>	<b>Closed – 127</b> <b>Open – 31</b>

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

<sup>2</sup> 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.

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**FISCAL YEAR 2012 AUDIT REPORT SUMMARIES**

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**District Department of Transportation's Highway Trust Fund Financial Statement Audit for the Fiscal Year Ended September 30, 2011, OIG No. 11-1-29KA, February 1, 2012**

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, 2011, and its revenues, expenditures, and changes in fund balance for the year then ended. During the audit, the OIG identified two issues of internal control weaknesses considered significant deficiencies that are required to be reported under *Government Auditing Standards*. However, the OIG found no instances of noncompliance with regulations that are considered material or significant deficiencies.

**Comprehensive Annual Financial Report of the Government of the District of Columbia for the Fiscal Year Ended September 30, 2011, OIG No. 12-1-01MA, February 2, 2012**

On February 2, 2012, 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, 2011. The financial statements, received an unqualified or "clean" opinion from KPMG LLP. This is the fifteenth consecutive year the District has earned an unqualified audit opinion.

**District of Columbia's Independent Auditors' Report on Internal Control Over Financial Reporting for the Fiscal Year Ended September 30, 2011, OIG No. 12-1-02MA, February 10, 2012**

In connection with the audit of the District of Columbia's general purpose financial statements for fiscal year 2011, KPMG LLP submitted its *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters*. This report identifies two 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 weaknesses in the following areas: (1) General Information Technology Controls and (2) Procurement and Disbursement Controls. The OIG is pleased to report progress relative to the financial management of the District of Columbia in comparison to last year's report of five significant deficiencies and, for the third consecutive year, the audit of the city's financial statements has revealed no material weaknesses.

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**FISCAL YEAR 2012 AUDIT REPORT SUMMARIES**

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**Audit of the Construction Contracts Awarded Under the American Recovery and Reinvestment Act (ARRA) to the District's Department of Transportation, OIG No. 10-1-13KA, February 15, 2012**

Our audit disclosed that the District Department of Transportation (DDOT) did not effectively manage the change order process for ARRA-funded construction contracts; ensure that project designs were current, accurate, and complete; monitor contractor compliance with ARRA reporting requirements; and assess penalties for contractor noncompliance. We directed 10 recommendations to DDOT for actions necessary to correct the described deficiencies.

**Audit of Medicaid Claims at the Department of Health Care Finance, OIG No. 09-2-29HF, February 16, 2012**

The OIG identified about \$3.8 million in potentially erroneous Medicaid payments during fiscal year (FY) 2009. These payments may have been issued erroneously because the corresponding claims: cited service dates after a Medicaid recipient's date of death; were paid for recipients who had questionable social security numbers (SSNs); or were paid at amounts higher than those billed. As a result, we directed four recommendations to the Department of Health Care Finance and one recommendation to the Department of Human Services Income Maintenance Administration for action we consider necessary to correct identified deficiencies.

**District of Columbia's Lottery and Charitable Games Control Board Financial Statements, and Management's Discussion and Analysis (with Independent Auditors Report) for Fiscal Year Ended September 30, 2011, OIG No. 12-1-04DC, February 16, 2012**

As part of our contract for the audit of the District of Columbia's general purpose financial statements for FY 2011, 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 for the year ended September 30, 2011, and the changes in financial position and cash flows for the year then ended 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.

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**FISCAL YEAR 2012 AUDIT REPORT SUMMARIES**

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**Audit of the District's Condominium Conversion Fees, OIG No. 08-1-18CR, February 17, 2012**

Our audit disclosed that the Department of Housing and Community Development (DHCD) lacked adequate management controls to consistently ensure compliance with District laws and regulations governing the condominium conversion process. We directed 41 recommendations to DHCD for actions necessary to correct identified deficiencies.

Implementing these recommendations would yield approximately \$37 million in revenue enhancements to the District government.

**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, 2011, and 2010, OIG No. 12-1-03GG, February 17, 2012**

As part of our contract for the audit of the District of Columbia's general purpose financial statements for FY 2011, KPMG LLP (KPMG) submitted its report on the University of the District of Columbia. KPMG opined that the basic financial statements present fairly, in all material respects, the financial position of UDC for the years ended September 30, 2011, and September 30, 2010, 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 (UMC) Financial Performance for Fiscal Years Ended September 30, 2011, and 2010, OIG No. 12-1-06HW, February 29, 2012**

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

**Washington Convention and Sports Authority Financial Statements and Management Discussion and Analysis, and Independent Auditors' Report for Fiscal Years Ended September 30, 2011, and 2010, OIG No. 12-1-05ES, March 2, 2012**

In connection with the audit of the District of Columbia's general purpose financial statements for FY 2011, KPMG submitted its report on the District of Columbia Washington Convention and Sports Authority (the Authority). KPMG opined that the financial

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**FISCAL YEAR 2012 AUDIT REPORT SUMMARIES**

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statements present fairly, in all material respects, the financial position of the Authority for the years ended September 30, 2011, and 2010, 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.

**Washington Convention and Sports Authority Report of Internal Control Over Financial Reporting and on Compliance and Other Matters for Fiscal Years Ended September 30, 2010, and 2011, OIG No. 12-1-05ES(a), March 2, 2012**

This report did not identify any deficiencies in internal control over financial reporting and compliance considered to be material weaknesses as described below. Additionally, tests performed of compliance disclosed no instances of noncompliance or other matters required to be reported under Government Auditing Standards. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of an entity's financial statements will not be prevented, or detected and corrected on a timely basis.

**J.B. Johnson Nursing Center Independent Auditors' Report and Report on Internal Control Over Financial Reporting for the Period October 1, 2010, to December 13, 2010, OIG No. 12-1-07BY, March 2, 2012**

In connection with the audit of the District of Columbia's general purpose financial statements for FY 2011, KPMG submitted the final report on the J.B. Johnson Nursing Center (the Center), comprised of the following: (1) independent auditors' report; and (2) report on internal control over financial reporting. KPMG opined that the financial statements present fairly, in all material respects, the financial position of the Center as of December 13, 2010, and the results of its operations and its cash flows for the period then ended in conformity with U.S. generally accepted accounting principles.

**District of Columbia's Water and Sewer Authority Financial Statements and Independent Auditors' Report for the Years Ended September 30, 2011, and 2010, OIG No. 12-1-08LA, March 9, 2012**

Thompson, Cobb, Bazilio & Associates (TCBA) opined that the financial statements present fairly, in all material respects, the financial position of the District of Columbia Water and Sewer Authority as of September 30, 2011, and 2010, and changes in its financial position and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

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**FISCAL YEAR 2012 AUDIT REPORT SUMMARIES**

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**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 2011, OIG No. 11-1-29KA(a), March 15, 2012**

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 for presentation of forecasted information 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.

**Report on Noncompliance With the Requirement to Perform Cost Analyses, OIG No. 10-1-19TO(b), March 22, 2012**

The OIG issued a Management Alert Report (MAR), *Noncompliance with Requirement to Perform Cost Analyses*, OIG MAR No. 11-A-01, to the Office of Contracting and Procurement (OCP) on October 7, 2011. We discovered this weakness during our Audit of Contracting Actions at the Office of the Chief Technology Officer (OIG No. 08-2-06TO (a)) and during our Audit of Information Technology Staff Augmentation (ITSA) Contract (OIG No. 10-1-19TO). As a result of the MAR, we directed one recommendation to OCP for action we considered necessary to correct the identified deficiencies.

**District of Columbia's E911/E311 Special Revenue Fund Financial Statements with Independent Auditors' Report for Fiscal Year Ended September 30, 2011, OIG No. 12-1-09UC, April 3, 2012**

Bert Smith & Co. (BS&C) opined that the financial statements present fairly, in all material respects, the financial position of the Fund and the changes in its financial position for the year ended September 30, 2011, in conformity with accounting principles generally accepted in the United States of America.

**District of Columbia Public Schools Annual Budgetary Comparison Schedule Governmental Funds and Supplemental Information for Fiscal Year Ended September 30, 2011, OIG No. 12-1-10GA, April 3, 2012**

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, 2011, in conformity with U.S. generally accepted accounting principles.

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**FISCAL YEAR 2012 AUDIT REPORT SUMMARIES**

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**District of Columbia Memorandum of Recommendations for Fiscal Year Ended September 30, 2011, OIG No. 12-1-12MA, May 10, 2012**

In connection with the audit of the District of Columbia's general purpose financial statements for FY 2011, 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. While the OIG will continue to assess the District's implementation of recommendations, it is the responsibility of District government management to ensure that agencies correct the deficiencies noted in audit reports. This Office will work with managers, as appropriate, to help them monitor the implementation of recommendations.

**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, 2011, OIG No. 12-1-03GG(a), May 14, 2012**

This report identified two deficiencies in internal control over financial reporting considered to be material weaknesses: (1) lack of controls over financial reporting process, and (2) lack of controls over the implementation of the Banner System. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of an entity's financial statements will not be prevented, or detected and corrected on a timely basis. Additionally, this report identified one significant deficiency in the University of the District of Columbia's lack of controls over compliance with investment policy. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. KPMG set forth four recommendations for correcting the identified internal control weaknesses.

**Not-for-Profit Hospital Corporation United Medical Center Report on Internal Control Over Financial Reporting and on Compliance and Other Matters for Fiscal Year Ended September 30, 2011, OIG No. 12-1-06HW(a), May 14, 2012**

This report identified three deficiencies in internal control over financial reporting considered to be significant deficiencies: (1) inadequate resources and management review supporting the financial review process; (2) lack of access controls over information technology; and (3) valuation of accounts receivable. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. KPMG set forth eight recommendations for correcting the identified internal control weaknesses.

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**FISCAL YEAR 2012 AUDIT REPORT SUMMARIES**

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**Home Purchase Assistance Program, Financial Statement Audit and Report on Internal Control Over Financial Reporting and Compliance for the Fiscal Year Ended September 30, 2011 With Independent Auditors' Report Thereon, OIG No. 12-1-14TDB, June 1, 2012**

Bert Smith & Co. (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, 2011, 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 two material weaknesses and three significant deficiencies.

**Exercising Information Technology Staff Augmentation (ITSA) Contract Option Year 4, OIG No. 10-1-19TO(b), March 22, 2012**

This Management Alert Report (MAR) recommends that the Office of Contracting and Procurement (OCP) decline to exercise the remaining option year for the ITSA Contract No. DCTO-2008-C-0135 awarded to Optimal Solutions and Technologies Incorporated (OST) on August 19, 2008. We made this recommendation pursuant to our authority as stated in D.C. Code § 1-301.115a(f-3). On August 3, 2011, the OIG issued the first audit report from the series, which concluded that the use of District employees to manage the IT services procurement process, rather than the use of OST, was substantially more economical. In total, we calculated that the District may lose as much as \$10.78 million over the period of the 5-year contract term if the District continues using OST to manage the IT services procurement process. OCP agreed with the audit conclusion. However, as of the date of the report, OST remained under contract to OCP to manage IT services procurement processes.

**Audit of the Management of Truancy at District of Columbia Public Schools, OIG No. 09-1-32GA, August 10, 2012**

The OIG directed five recommendations to the District of Columbia Public Schools (DCPS) for action necessary to correct the described deficiencies. The recommendations focus on: (1) ensuring schools have the necessary resources to implement attendance programs; (2) tracking truancy statistics to assist DCPS in developing additional strategies to combat truancy; (3) strengthening policies and procedures to ensure students are timely referred to the court system; (4) revising policies and procedures to ensure school officials follow consistent procedures for handling truancy; and (5) ensuring school attendance plans address the required procedures and contain updated information.

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**FISCAL YEAR 2012 AUDIT REPORT SUMMARIES**

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**Audit of the Office of the State Superintendent of Education's Non-Public Tuition Program, OIG No. 09-1-36MA, August 28, 2012**

The OIG directed eight recommendations to the Office of the State Superintendent of Education (OSSE) for actions we consider necessary to correct identified deficiencies. The recommendations focus, in part, on: (1) reconciling appropriate supporting documentation with DCPS' list of students in the Non-Public Tuition Program on an annual basis to accurately account for all students in the program; (2) completing Individual Education Plans for all students in the Non-Public Tuition Program before they are accepted into the program; (3) revising written policies and procedures to include key responsibilities of the Office of the Special Master in the non-public payment dispute process; (4) maintaining all supporting documentation related to the dispute process, which includes dispute letters sent to providers; (5) incorporating into the application review process background checks of personnel who work directly with special education students; and (6) ensuring that all non-public special education schools servicing District residents possess valid Certificate of Approvals.

**District of Columbia Unemployment Compensation Fund - Financial Statements and Management's Discussion and Analysis (With Independent Auditors' Report Thereon) - Years Ended September 30, 2011, and 2010, OIG No. 12-1-18BH, August 31, 2012**

KPMG opined that the financial statements present fairly, in all material respects, the financial position and cash flows of the Fund, for the year ended September 30, 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 Annuitants' Health and Life Insurance Employer Contribution Trust Fund - Financial Statements (With Independent Auditors' Report Thereon) - Fiscal Years Ended September 30, 2011, and 2010, OIG No. 12-1-19MA, September 4, 2012**

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, 2011, and 2010, in conformity with accounting principles generally accepted in the United States of America.

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**FISCAL YEAR 2012 AUDIT REPORT SUMMARIES**

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**Triennial Follow-up Audit of the District Agencies' Implementation of Audit Recommendations for FYs 2008-2010, OIG No. 11-1-08MA(a), September 21, 2012**

The results of our audit indicate that OIG recommendations were not timely resolved. We conducted audit testing at 21 District agencies in our audit universe to determine whether they had implemented agreed-to actions in response to our audit recommendations. District agency officials reported that: (1) action had been completed to address 206 of 239 (86 percent) recommendations reviewed; and (2) 33 (14 percent) recommendations remained open. We also found that agencies may have: (1) implemented corrective actions, but did not maintain appropriate supporting documentation for recommendations reported as closed; or (2) reported recommendations as closed without implementing the necessary corrective actions. We selected 68 of the 239 recommendations directed to 9 District agencies for verification. We were only able to verify that 35 of the 68 recommendations (51 percent) were actually closed based on documentation maintained by agency officials. The OIG directed two recommendations to the Office of Risk Management (ORM) for actions we considered necessary to correct identified deficiencies.

**Report on Exercising Information Technology Staff Augmentation (ITSA) Contract Option Year 4, OIG No. 10-1-19TO(c), September 27, 2012**

Pursuant to our authority under D.C. Code § 1-301.115a (f-3), we issued a Management Alert Report (MAR No. 12-A-01) on August 2, 2012, to recommend that OCP decline to exercise the remaining option year for the ITSA contract. The Office of Contracting and Procurement (OCP) responded by letter dated August 16, 2012, in which OCP disagreed with the report's finding and conclusions and did not concur with the recommendations; therefore, these recommendations are unresolved. Audit recommendations should generally be resolved within 6 months of the date of the final report. Accordingly, we will continue to work with OCP to reach final agreement on the unresolved recommendations. Based on the response from OCP, we re-examined our facts and conclusions and adjusted the report where warranted.

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**FISCAL YEAR 2012 INSPECTIONS AND EVALUATIONS DIVISION  
PERFORMANCE MEASURES STATISTICS**

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<b>Activity</b>	<b>FY 2012 Target</b>	<b>FY 2012 Actual</b>
Number of Final Inspection/Evaluation Reports Issued	10	10

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**FISCAL YEAR 2012 INSPECTIONS AND EVALUATIONS DIVISION  
FINDINGS AND RECOMMENDATIONS STATISTICS**

<b>Report</b>	<b>Findings</b>	<b>Recommendations</b>
<b>11-I-0044FA:</b> Metropolitan Police Department (MPD) – <i>Report of Special Evaluation: MPD’s Youth Investigations Division</i>	12	18
<b>12-I-0045: Report of Special Evaluation –</b> <i>Sufficiency of District Agency Services Provided to a District Resident</i>	9	13
<b>MAR 12-I-001:</b> Fire and Emergency Medical Services Department – <i>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</i>	2	3
<b>MAR 12-I-002:</b> D.C. Public Schools, D.C. Department of Human Resources, and the Attorney General for the District of Columbia – <i>District of Columbia Public Schools Does Not Conduct Mandatory Drug and Alcohol Testing of Employees in Safety-Sensitive Positions As Required By Law</i>	1	3
<b>MAR 12-I-003:</b> Executive Office of the Mayor and the Department of Youth Rehabilitation Services – <i>Juvenile Abscondence Review Committee Has Not Convened in Accordance with A District Law That Went Into Effect in March 2011</i>	1	2
<b>12-I-0046CF:</b> Department of Employment Services – <i>Report of Special Evaluation: Office of Unemployment Compensation – Part II</i>	6	21
<b>12-I-0047JA:</b> Department of Human Services – <i>Report of Special Evaluation: 801 East Shelter</i>	7	7

**FISCAL YEAR 2012 INSPECTIONS AND EVALUATIONS DIVISION  
FINDINGS AND RECOMMENDATIONS STATISTICS**

<b>Report</b>	<b>Findings</b>	<b>Recommendations</b>
<b>12-I-0048JA:</b> Department of Human Services – <i>Report of Special Evaluation: D.C. General Shelter</i>	2	2
<b>12-I-0049JA:</b> Department of Human Services – <i>Report of Special Evaluation: Office of Shelter Monitoring</i>	9	14
<b>12-I-0050JA:</b> Department of Human Services – <i>Report of Special Evaluation: Adult Protective Services</i>	4	11
<b>Total</b>	<b>53</b>	<b>94</b>

**FISCAL YEARS 2011 & 2012 INVESTIGATIONS DIVISION  
PERFORMANCE MEASURE STATISTICS**

<b>Activity</b>	<b>FY 2011 Targets</b>	<b>FY 2011 Actuals</b>	<b>FY 2012 Targets</b>	<b>FY 2012 Actuals</b>
Evaluate all complaints within 10 days of receipt in the Investigations Division	85%	96%	85%	99%
Complete or convert every preliminary investigation within 30 business days of assignment to investigator in the Investigations Division	80%	97%	80%	94%
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%	97%	85%	99%



**INVESTIGATIONS DIVISION PERFORMANCE STATISTICS  
FISCAL YEARS 2009 - 2012**

<b>Activity</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
Complaints Received	635	610	638	790
Formal Investigations Opened	136	129	140	227
Formal Investigations Closed	79	116	125	194
Zero Files	170	173	119	78
Referrals	329	308	379	485
Referrals Closed	296	269	320	401
Cases Presented to Prosecutor	37	48	52	61
Cases Accepted by Prosecutor	18	26	20	18
Restitution Orders and Fines	\$127,230,002	\$2,690,643	\$494,736	\$842,545.16
Recoveries	\$11,807	\$27,867	\$54,867	\$12,589
Convictions	16	22	20	10
Indictments	17	6	2	1
Searches Conducted	22	6	3	1
Subpoenas Served	132	350	210	144
ROIs	4	8	10	7
MARs	2	3	6	4
SARs	11	14	24	18
Investigative Referrals*		24	31	157

\*This report was initiated in FY 2010.

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**FISCAL YEAR 2012 INVESTIGATIONS DIVISION  
CASES CLOSED BY AGENCY**

<b>Agency/Department/Office</b>	<b>Total</b>
Alcoholic Beverage Regulation Administration	4
Attorney General for the District of Columbia, Office of the	2
Chief Financial Officer, Office of the	10
Child and Family Services Agency	1
Consumer and Regulatory Affairs, Department of	5
Council of the District of Columbia	1
Disability Services, Department on	2
Employment Services, Department of	104
Environment, District Department of the	3
Executive Office of the Mayor	1
Fire & Emergency Medical Services Department	3
General Services, Department of	5
Health, Department of	1
Housing and Community Development, Department of	4
Human Resources, Department of	1
Human Services, Department of	2
Lottery and Charitable Games Board	1
Mental Health, Department of	1
Metropolitan Police Department	1
Motor Vehicles, Department of	2
Public Library, District of Columbia	1
Public Schools, District of Columbia	6
Public Works, Department of	3
Risk Management, Office of	4
State Superintendent of Education, Office of the	17
Taxicab Commission, District of Columbia	2
Transportation, District Department of	2
University of the District of Columbia	2
Youth Rehabilitation Services, Department of	1
DC Water	2



## FISCAL YEAR 2012 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	1	3	0	1	5
Physical assaults or threats of violence	0	0	3	2	5
Fraud, theft, or false claims	14	29	36	59	138
Bribery, extortion, kickbacks, or illegal gratuities	1	1	3	5	10
Misuse of government funds or property, or use of official position for private gain	1	5	2	11	19
Governmental waste, inefficiency, or mismanagement	3	9	7	16	35
Contract fraud or procurement violations	2	2	0	7	11
False statements	2	1	0	4	7
Ethics violations and conflicts of interest	0	0	3	3	6
Time and attendance fraud	3	2	1	4	10
Harassment, retaliation, or abuse of authority by a supervisor or by another government official	8	4	4	15	31
Hiring, promotion, or other treatment of employees in violation of personnel regulations	2	3	2	11	18
Incivility or lack of response from an agency	1	3	3	8	15
Miscellaneous	7	11	13	61	92
<b>Totals</b>	<b>45</b>	<b>73</b>	<b>77</b>	<b>207</b>	<b>402</b>

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APPENDIX O

**FISCAL YEAR 2012 INVESTIGATIONS DIVISION REFERRAL STATISTICS**

Agency	No. of Referrals
Advisory Neighborhood Commissions, Office of	3
Administrative Hearings, Office of	1
Alcoholic Beverage Regulation Administration	1
Aging, Office on	3
Attorney General for the District of Columbia, Office of	11
Board of Elections and Ethics	1
Board of Zoning Administration	1
Chief Financial Officer, Office of the	9
Child and Family Services Agency	7
Consumer and Regulatory Affairs, Department of	33
Contracting and Procurement, Office of	1
Contracts and Appeals Board	1
Corrections, Department of	6
Council of the District of Columbia	2
Court Services and Offender Supervision Agency	1
Disability Services, Department on	6
District of Columbia Auditor, Office of the	1
Employment Services, Department of	23
Environment, District Department of the	4
Executive Office of the Mayor	2
Federal Referrals *	58
Fire and Emergency Medical Services Department	12
General Services, Department of	9
Health, Department of	9
Homeland Security and Emergency Management Agency	1
Housing and Community Development, Department of	5
Housing Authority, District of Columbia	9
Human Resources, Department of	9
Human Rights, Office of	2
Human Services, Department of	24
Inspector General, Office of (Medicaid Fraud Control Unit)	13
Lottery and Charitable Games Control Board	1
Mental Health, Department of	7

APPENDIX O

**FISCAL YEAR 2012 INVESTIGATIONS DIVISION REFERRAL STATISTICS**

Agency	No. of Referrals
Metropolitan Police Department	43
Motor Vehicles, Department of	29
Parks and Recreation, Department of	1
People's Counsel, Office of the	1
Private Entities	2
Public Library, District of Columbia	1
Public Schools, District of Columbia	15
Public Works, Department of	16
Risk Management, Office of	4
Small and Local Business Development, Department of	2
Split Referrals**	31
State Referrals ***	6
State Superintendent of Education, Office of the	6
Superior Court for the District of Columbia	3
Tax and Revenue, Office of	19
Taxicab Commission, District of Columbia	2
Transportation, District Department of	7
Unified Communications, Office of	2
University of the District of Columbia	6
Washington Metropolitan Area Transit Authority, OIG	2
DC Water	1
Youth Rehabilitation Services, Department of	10
<b>Total Referrals</b>	<b>485</b>

\* Federal Referrals (58)

Amtrak OIG	1
Department of Defense, OIG	2
Equal Employment Opportunity Commission	1
Federal Bureau of Investigation	3
Federal Communication Commission	1

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**FISCAL YEAR 2012 INVESTIGATIONS DIVISION REFERRAL STATISTICS**


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Federal Deposit Insurance Corporation	1
Federal Trade Commission, OIG	1
Immigration & Customs Enforcement	1
Internal Revenue Service	2
Social Security Administration, OIG	1
United States Attorney General's Office, District of Columbia	1
U.S. Department of Agriculture, OIG	1
U.S. Department of Education, Office for Civil Rights	1
U.S. Department of Education, OIG	2
U.S. Department of Homeland Security, OIG	1
U.S. Department of Housing and Urban Development	2
U.S. Department of Justice	3
U.S. Department of Justice, Bureau of Prisons	21
U.S. Department of Justice, OIG	1
U.S. Health and Human Services	3
U.S. Health and Human Services, OIG	2
U.S. Postal Service, OIG	4
U.S. Department of Veterans Affairs	2

**\*\* Split Referrals (31)**

D.C. Child and Family Services Agency, D.C. Office on Aging  
D.C. Office of Aging, D.C. Child and Family Services Agency, and The Community Partnership  
for the Prevention of Homelessness  
D.C. Office on Aging, Office of Human Rights  
D.C. Public Schools, U.S. Department of Labor  
D.C. Taxicab Commission, Department of Motor Vehicles  
Department of Consumer and Regulatory Affairs, Department of Small and Local Business Development  
Department of Consumer and Regulatory Affairs, Advisory Neighborhood Commission  
Department of Consumer and Regulatory Affairs, Fire and EMS Department (two intakes consolidated into one split referral)  
Department of Consumer and Regulatory Affairs, Department of Housing and Community Development  
Department of Consumer and Regulatory Affairs, Office of Human Rights,  
Department of Consumer and Regulatory Affairs, Immigration & Customs Enforcement  
Department of Consumer and Regulatory Affairs, Metropolitan Police Department  
Department of Consumer and Regulatory Affairs, Office of Tax and Revenue (2)  
Department of Consumer and Regulatory Affairs, District Department of Transportation

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**FISCAL YEAR 2012 INVESTIGATIONS DIVISION REFERRAL STATISTICS**

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Department of General Services, Federal Bureau of Investigation, Metropolitan Police  
Department, U.S. Department of Labor  
Department of Human Resources, Department of Youth and Rehabilitation Services (3)  
Department of Human Resources, Office of Human Rights  
Department of Human Resources, Department of Corrections, Office of the Attorney General  
Department of Human Resources, Office of Contracting and Procurement  
Department of Mental Health, Department of Human Resources  
Department of Motor Vehicles, Department of Public works  
Department of Employment Services, Department of Human Services  
Department of Youth and Rehabilitation Services, Office of Tax and Revenue  
District Department of Transportation, Department of Consumer and Regulatory Affairs and  
Homeland Security  
Metropolitan Police Department, Office of the Inspector General Medicaid Fraud Control  
Unit  
Office of the Chief Financial Officer, D.C. Child Fatality Review Committee  
U.S. Bureau of Prisons, United States Secret Service

\*\*\*State Referrals (6)

Illinois Attorney General  
Michigan State Attorney (2)  
Texas Attorney General  
Virginia Attorney General  
Virginia Department of Health

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APPENDIX P

**FISCAL YEAR 2012 INVESTIGATIONS DIVISION REFERRAL RESOLUTIONS**

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<b>Referral Resolutions</b>	<b>No. of Referrals</b>
Referred With No Response Requested	287
Matter Referred for Criminal Prosecution	0
Case Closed Administratively After Response Received	114
Contract/Contractor Terminated or Ended	0
Employee Disciplined or Terminated	3
Employee Resigned or Retired	2
Employee Referred to Employee Assistance Program	0
Counseling, Training, or Instruction Provided	7
Restitution/Recovery/Fine	3
Cost Avoidance	0
Agency Reviewed, Revised, or Re-Enforced Its Procedures and Policies	2
Other/Miscellaneous*	54
Agency Sub-Referred OIG Referral	7
Agency Refused/Failed to Investigate, Address, or Implement OIG Recommendations	0
Case Closed With Letter of Delinquency to Mayor	0

\*These include 39 cases for which the deadline had not yet expired by the end of the fiscal year.

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**FISCAL YEAR 2012 MFCU PERFORMANCE MEASURE STATISTICS**

<b>Performance Goal</b>	<b>FY 2012 Target</b>	<b>FY 2012 Actual</b>
Obtain 20 criminal/civil resolutions (plea, settlement, or verdict) in fiscal year	20	13



**MFCU PERFORMANCE STATISTICS  
FISCAL YEARS 2011 & 2012**

<b>Performance Statistics</b>	<b>FY 2011</b>	<b>FY 2012</b>
Number of complaints received <sup>1</sup>	3,006	3,241
Unusual Incident Reports	2,837	3,216
Number of fraud matters initiated	47	41
Number of abuse, neglect, or sexual assault matters initiated	106	127
Number of theft or funds misappropriation matters initiated	16	23
Provide training/in-service education to relevant entities	8	14
Criminal and Civil Resolutions	27	13
Criminal Convictions	11	5
Plea Agreements	6	4
Guilty Verdicts	5	1
Criminal Acquittals	2	0
Civil Resolutions	14	8

<sup>1</sup> 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.

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