



D.C. Office of the
Inspector General

Report on Activities

Fiscal Year 2011



MESSAGE FROM CHARLES J. WILLOUGHBY INSPECTOR GENERAL

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, 2011. 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, www.oig.dc.gov. All are 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.

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

Audit Division (AD). For FY 2011, the Audit Division issued 29 reports with total potential monetary benefits of approximately \$28.2 million. Compared to Audit Division costs of approximately \$2.9 million, the return on investment for audits performed by OIG audit staff exceeds \$10 for each dollar invested. The division met or exceeded all annual performance measures.

FY 2011 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 downturn. As in past years, the OIG devoted significant resources to audit programs and initiatives that pose serious challenges and risks for District executives, managers, citizens, and stakeholders. During FY 2011, like other cities or localities across the nation, the District faced budget shortfall challenges caused primarily by a reduction in estimated revenues to cover estimated expenditures. The District was affected in FY 2011 by high unemployment, reduced real estate values, a drawdown in consumer spending, and lowered results in nearly all economic indices. Reduced revenue streams, combined with increasingly higher demands on social and support services, placed added stress on the city's limited resources and heightened the importance of mitigating the risks of financial losses. However, District leaders took a proactive approach to address the challenges, such as imposing government-wide spending cuts, which resulted in a balanced budget for the District.

For FY 2011, our goals 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, and 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

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other revenue-generating activities. For example, we issued eight performance audit reports that addressed procurement issues, such as the contract for inventory of capital assets at the Office of Chief Financial Officer and contracting actions at the Office of the Chief Technology Officer, and Medicaid issues, such as an audit of District-Owned Nursing Homes. 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 2010 CAFR on January 27, 2011, the city received its fourteenth consecutive, unqualified opinion on its financial statements.

Inspections and Evaluations Division (I&E). During FY 2011, the Inspections and Evaluations Division (I&E) published 11 final reports: 4 Reports of Special Evaluation, 3 Management Alert Reports (MARs), 3 Management Implication Reports (MIRs), and 1 Report of Inspection (ROI). Collectively, these reports presented District agency directors and their managers with 55 distinct findings and 104 actionable recommendations aimed at mitigating noted deficiencies and/or enhancing District government operations.

MARs and MIRs¹ published by I&E during FY 2011 targeted specific facets of agencies' operations, recurring issues throughout District government, and matters pertaining to members of vulnerable populations that have potentially wide-ranging implications. For example, in June 2011, the OIG sent MAR 11-I-001 to the Department of Employment Services after learning that computer programming safeguards, designed to ensure the accurate issuance of unemployment benefits, had been inappropriately turned off due to inadequate internal controls. MAR 11-I-003, issued in August 2011, addressed what appeared to be an unnecessarily high number of Fire and Emergency Medical Services Department personnel stationed at the Office of Unified Communications. MIR 11-I-002, entitled *District Agencies Without Comprehensive, Up-To-Date, or Written Policies and Procedures Have Increased Risk of Poor Performance, Safety and Security Issues, as well as Fraud, Waste and Abuse*, addressed a recurring deficiency: District agencies' failures to provide their employees with clear, written guidance on how to carry out their job-related duties and responsibilities. Another I&E MIR presented findings and recommendations to the Office of the City Administrator regarding a 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.

¹ The OIG issues a MAR when it believes a matter at a particular agency requires the immediate attention of District government officials. The OIG issues a MIR on matters of priority concern that potentially exist at or affect multiple District agencies.

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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: bribery; theft; fraudulent receipt of District benefits; receiving a District government salary while Absent Without Leave; misrepresenting United States citizenship on a District government employment application; and using District government resources to engage in a personal and sexual relationship. Our special agents often conducted these 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), U.S. Immigration and Customs Enforcement, and the U.S. Office of Personnel Management Office of the Inspector General. These investigations resulted in criminal charges against District employees in several agencies, including the Office of the Chief Financial Officer, the Department of Health, the Office of the State Superintendent of Education, the Fire and Emergency Medical Services Department, the Office of the Chief Technology Officer, and the Court Services and Offender Supervision Agency.

During FY 2011, the ID presented 52 cases to the USAO for criminal prosecution, of which 20 were accepted for further investigation. Furthermore, ID investigations resulted in 25 arrests, 2 indictments, 20 convictions, 33 sentences, and terms of imprisonment totaling 285 months. ID investigations also resulted in restitution orders totaling \$491,985.80.

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 2011, the MFCU processed 3,006 incoming unusual incident reports, complaints, or referrals, initiated 169 investigations and closed 124 matters. Through trial or settlement, the MFCU attained 27 substantive dispositions of outstanding fraud, abuse, neglect, and sexual assault cases, significantly surpassing its goal. The MFCU resolved 11 criminal matters and referred another to the Internal Revenue Service (IRS) for resolution. MFCU also recovered substantial monies in restitution to the Medicaid program through participation in 1 criminal and 14 civil resolutions.

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.

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

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model for the achievement of such outputs and accomplishments that continue to enhance the quality of life for 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.

Finally, as I have done previously, to the citizens and stakeholders of the District: during these difficult financial and otherwise times, we must all continue to be ever so exceptionally vigilant and responsible in not only recognizing and/or performing any oversight responsibilities that we may have but also in reporting instances of fraud, waste, and abuse to ensure the efficiency and integrity of the District government. For, as I have previously emphasized and continue to believe wholeheartedly, 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. Tasks that are made all the more important and difficult, especially during a period of economic downturn and in a climate of inference and innuendo.



Charles J. Willoughby
Inspector General

December 1, 2011

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RISK ASSESSMENT

RISK ASSESSMENT

During FY 2011, the OIG focused its resources on programs and initiatives that pose serious challenges and risks for the District. The District endured budget shortfall challenges caused primarily by a reduction in estimated revenues to cover estimated expenditures. The District was affected by high unemployment, reduced real estate values, a drawdown in consumer spending, and lowered results in nearly all economic indices. District leaders took a proactive approach to address the challenges by imposing city-wide spending cuts. We identified agencies and programs considered material in terms of service delivery and fiscal impact, and 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 accomplishments; major inefficiencies in the use of resources or management of operations; and significant program performance issues.

Our goals focused on evaluating risk areas and programs that represented issues of critical concern to the Mayor and D.C. Council to include Medicaid Programs, Vulnerable Populations, Procurement and Contracting, Citizen Safety and Protection, Workforce Administration, Payment Process; and conducting audits that assess whether the District is effective in levying and collecting tax-based revenue, capitalizing on all grant-based revenue opportunities, executing reimbursement programs within agencies, and optimizing other revenue-generating activities.

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) has been identified as a high-risk area for several years and continues to pose significant financial and performance risks for the District. DCPS spent close to \$2 billion during FY 2011. Accordingly, our FY 2012 audit and inspection plan contains DCPS audits that will address management and administrative pay; grant revenue; truancy management; procurement practices; and special education programs.

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Medicaid Program

The District continues to devote significant amounts of local and federal dollars to provide healthcare for the Medicaid-eligible segment of the District population. The District's Medicaid Program will spend over \$2 billion on healthcare in FY 2012. The Medicaid Program has been of continuing concern and has been identified in recent Management Reports related to the Comprehensive Annual Financial Report 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 funding 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 minimized. 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.

In FY 2011, we issued an audit addressing Medicaid issues entitled, *District-Owned Nursing Homes*. Continuing into FY 2012, we have ongoing audits concerning: Medicaid claims at the Department of Health Care Finance; human care agreements; Alliance eligibility; nursing home performance and administrative pay; Medicaid administrative services contracts; Medicaid dental spending; and the Medicaid state plan.

The OIG also maintains a Medicaid Fraud Control Unit (MFCU) to conduct investigations of Medicaid fraud and patient abuse and neglect issues. When allegations can be substantiated, MFCU pursues criminal prosecution and civil enforcement efforts against responsible parties as well. 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 engaged in a number of long-term efforts to reduce risks. The unit worked closely with stakeholders and initiated frequent informal contacts to 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

Several reports published by I&E during FY 2011 targeted matters and programs pertaining to members of vulnerable populations. For example, in October 2010, the OIG published a MIR that addressed District entities' awareness, training requirements, and oversight mechanisms regarding reporting suspected abuse and neglect of children in the District. Similarly, the OIG issued another MIR during FY 2011 regarding procedures for and oversight of reporting suspected abuse and neglect of elders and other vulnerable adults. In

RISK ASSESSMENT

April 2011, I&E published a report of inspection of the Child and Family Services Agency's Child Protective Services Administration, which conducts intake of reports of known or suspected abuse and neglect and investigates allegations. I&E also issued two reports pertaining to the management and operations of the Addiction Prevention and Recovery Administration's Detoxification and Stabilization Center:¹ a full report of special evaluation that could not be publicized due to District confidentiality laws, and an excerpt of the full report, which was fully disseminated.

Citizen Safety and Protection

I&E published several reports that addressed various 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 special report, *Review of FEMS December 2, 2008, No-Transport Response*, presented eight recommendations aimed at enhancing the procedures FEMS personnel follow when they encounter a patient who refuses medical assessment and/or transportation to the hospital for further evaluation and treatment. Also, following a highly publicized incident, the Inspector General directed I&E to conduct a special evaluation of MPD's policies, procedures, and practices regarding motorized escorts of private citizens. The resulting report contained 11 recommendations to improve MPD's motorized escort operations and reduce the District's exposure to legal liability.

Public safety remains a significant concern to District citizens, elected officials, and the community as a whole. For FY 2012, audits are planned to address citizen safety and protection to include: food, safety, and hygiene programs; the District's rat abatement program; D.C. taxicab commission; and the District's emergency plans and strategies.

Procurement and Contracting

The District of Columbia government is one of the largest purchasers of goods and services in the metropolitan area. The District's procurement policies and practices impact every aspect of city life including health and safety standards, education, wages, business growth, and fiscal and monetary soundness. Procurement expenditures, however, have not always provided taxpayers with the most value for their tax dollars. The absence of basic contract records management and data retrieval systems present challenges for managing procurement functions spread over approximately 70 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 has implemented an initiative to audit procurement and contract administration on a continuous basis consistent with the mandates of the OIG statute. During FY 2011, District agencies

¹ APRA closed the Detoxification and Stabilization Center in August 2009.

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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 2011, we issued four performance audit reports that addressed an assortment of procurement issues including: the contract for inventory at the Office of the Chief Financial Officer; information technology staff augmentation contract for the Office of the Chief Technology Officer; Office of Contracting and Procurement contracting officer qualifications; and the citywide security contract with the Department of General Services (formerly, the D.C. Department of Real Estate Services).

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 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.

During the fiscal year, I&E published both a report of special evaluation and a MAR pertaining to the Department of Employment Services' Office of Unemployment Compensation Benefits. The special evaluation analyzed DOES' efficiency and timeliness in issuing unemployment benefits, while the MAR alerted stakeholders of a prolonged period where important safeguards for the accurate issuance of benefits had been inappropriately deactivated.

Additionally, FY 2012 planned audits include a review of the workers' compensation program within the Department of Employment Services; management operations at the D.C. Fire and Emergency Medical Services Department; the District's strategic planning and performance measures; ethics awareness and training for District employees and prospective contractors; and workforce investment programs.

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Payment Process

The payment process encompasses payments made to vendors for acquired goods and services, payroll payments made to District employees, third-party payments made on behalf of the District, tax refunds and refunds for other overpayments, and any other payments authorized by law or regulation. The payment process is not restricted to any one audit and is normally part of numerous audits (e.g., procurement, Medicaid, and public education programs). In FY 2012, we will continue our evaluation of tax collection efforts at the Office of Tax and Revenue, collection of business franchise taxes, and delinquent tax collection/offers in compromise.

GENERAL ACTIVITIES

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MISSION

The District of Columbia Office of the Inspector General's (OIG) mission entails preventing and detecting corruption, mismanagement, waste, fraud, and abuse in District government programs and operations.

To that end, the OIG provides leadership and coordinates and recommends policies designed to promote economy, efficiency, and effectiveness in regard to programs and operations of the District government.

STATUTORY RESPONSIBILITIES

In accordance with its enabling legislation, codified at D.C. Code § 1-301.115a (Supp. 2011), the OIG is created within the executive branch of the District government and reports administratively to the Executive Office of the Mayor (EOM). However, the OIG functions independently in performance of its official responsibilities.

The OIG enabling statute empowers this Office to conduct independently and supervise audits, inspections, and investigations pertaining to the programs and operations of District government departments and agencies, including independent agencies. In addition, the OIG must keep the Mayor, D.C. Council, and other District government agencies and departments informed of problems and deficiencies in the administration of District government programs and operations as well as the need for corrective actions and the progress of the same.

District law also grants the OIG budget autonomy, thus underscoring the necessity of OIG independence. Pursuant to the OIG's governing statute, neither the Mayor nor the D.C. Council may revise the OIG's annual budget estimates. Rather, these executive and legislative entities may only comment on or make recommendations to the OIG's budget estimates when they are submitted for approval each year.

As previously stated, the OIG is required by law to perform audits, inspections, and investigations as requested by the Mayor or that are deemed necessary or desirable by the Inspector General. Any finding or evidence of criminal misconduct must be reported by the Inspector General to the U.S. Department of Justice in cases where the OIG has reasonable grounds to believe a violation of federal or District criminal law has been committed. In these instances, the OIG also forwards to the Mayor, if appropriate, any report regarding the evidence within a reasonable time period. The OIG has jurisdiction over allegations of administrative misconduct and, at the conclusion of any such investigation, the Inspector General refers the evidence to the Mayor or the appropriate agency head. Finally, the OIG forwards any audit, inspection, or investigative report of misconduct or unethical behavior to the appropriate authorities.

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In furtherance of its mission, OIG investigators, auditors, and inspectors must routinely review the records of other government agencies. In support thereof, the OIG relies upon several statutory provisions set forth in D.C. Code § 1-301.115a, which provide legal access to the records, accounts, documents, and property of other agencies within the executive branch of the District of Columbia government. The statute also mandates that both D.C. government employees and contractors cooperate with an OIG request for documents or testimony. If 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. Where the source of information is an individual or entity outside of the D.C. government, the OIG has the authority, enforceable through the Superior Court of the District of Columbia, to issue administrative subpoenas compelling witness testimony and documentation in connection with any matter under investigation.

The D.C. Code assigns several other statutorily mandated responsibilities to the OIG. These responsibilities include:

- 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. General 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; and
- Contracting with a private auditing firm to perform the Comprehensive Annual Financial Report (CAFR) of the District government for the previous fiscal year.

CHRONOLOGY OF LEGISLATIVE CHANGES TO THE OIG STATUTE

The OIG's current set of responsibilities derives from a series of local and federal legislative efforts. Beginning in 1986, the D.C. Procurement Practices Act of 1985 (D.C. Law 6-85, effective Feb. 21, 1986) established the OIG's statutory duties, which were substantially modified by Congress in 1995 through the D.C. Financial Responsibility and Management Assistance Act of 1995, Pub. L. No. 104-8, § 303 (adopted Apr. 17, 1995). The D.C. Council subsequently passed the Office of the Inspector General Law Enforcement Powers Amendment Act of 1998 (D.C. Law 12-190, effective Mar. 26, 1999), which enlarged the OIG's law enforcement authority by empowering OIG criminal investigators to: a) carry firearms in the District of Columbia while engaged in the performance of official duties; b)

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make arrests without a warrant for felony violations committed in their presence in the District of Columbia; and c) execute search warrants issued upon probable cause.

Approximately 1 year later, the OIG's enabling legislation was amended again with the passage of the Office of the Inspector General Powers and Duties Amendment Act of 1999 (D.C. Law 13-71, effective Apr. 5, 2000). With its enactment, the D.C. Council codified the OIG's mission statement; required the OIG to comply with generally accepted auditing, inspection, and investigation standards; and 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. Additionally, the Act 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); and provided that the OIG could recommend administrative sanctions against employees or contractors who refuse to cooperate with official OIG investigations. Finally, the legislation codified the OIG's policy of non-disclosure of a complainant's identity or other individuals providing information to the OIG, unless the Inspector General determines that disclosure is unavoidable or necessary to further the ends of an investigation.

In fiscal year (FY) 2003, the Inspector General Qualifications Amendment Act of 2003 (D.C. Law 15-026, effective Jul. 30, 2003) (Qualifications Act) expanded the necessary qualifications for the Inspector General. Currently, the Inspector General must: a) possess a minimum of 7 years aggregate experience in law, accounting, auditing, financial management analysis, public administration, or investigations; b) be a graduate of an accredited law school; c) be a member in good standing of the D.C. Bar for at least 7 years immediately preceding appointment; and d) possess 7 years experience in the practice of law. The legislation allows the Inspector General to substitute the legal experience prerequisite with either: a) 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 b) 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. Each Inspector General must also have at least 7 years of supervisory and management experience.

In FY 2005, the D.C. Council added two new sections to the OIG statute via the Inspector General Appointment and Term Clarification Amendment Act of 2004 (D.C. Law 15-212, effective Dec. 7, 2004). This legislation provided 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. In any non-control year, the Inspector General shall be removed only for cause by the Mayor with the approval of two-thirds of the Council.

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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 legislation, 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 allows the Mayor to determine the Inspector General's annual salary, subject to the review and approval of the D.C. Council.

FY 2011 LEGISLATIVE ACTIONS REGARDING THE OIG'S JURISDICTION

On April 8, 2011, through the Fiscal Year 2011 Supplemental Budget Support Act of 2010 (D.C. Law 18-370), the D.C. Council accelerated the OIG's deadline for submission of its annual audit of the Highway Trust Fund from May 31st to March 31st.

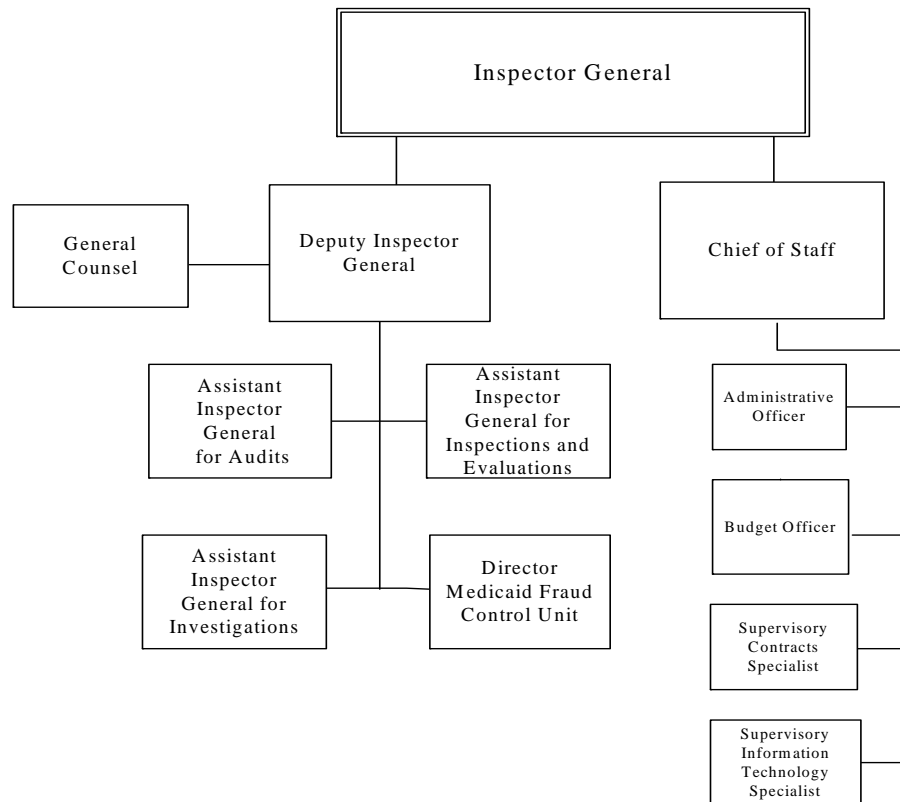
Subsequently, effective September 14, 2011, the D.C. Council enacted the Fiscal Year 2012 Budget Support Act of 2011 (Budget Support Act) (D.C. Law 19-021), which amended the District of Columbia Procurement Practices Act of 1985 to repeal the provision requiring an annual OIG audit of the Antifraud Fund. The Budget Support Act also amended the Professional Engineers' Registration Act to eliminate the OIG's obligation to annually audit the accounts of the Board of Professional Engineering, and to add that the Board of Professional Engineering must issue its annual audit report to the OIG.

GENERAL ACTIVITIES

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, 2011



BUDGET AND PERSONNEL

The Office of the Inspector General's FY 2011 approved operating budget from all sources was \$15.7 million. Of this amount, \$3 million was allocated for the Comprehensive Annual

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Financial Report. The OIG's budget supports 112 full-time positions. The Office received 85 percent of its budget (\$13.3 million) from local funding, which supported 91 full-time positions (including 5 positions that represent a 25 percent local contribution to the federal grant supporting the MFCU). The Office received 15 percent (\$2.4 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 2011:

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

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12/31/00 – present:	Deputy General Counsel Victoria L. Lucchesi
6/21/10 – present:	Assistant Inspector General for Audits Ronald W. King
5/9/10 – present:	Deputy Assistant Inspector General for Audits LaDonia M. Wilkins
6/21/99 – present:	Assistant Inspector General for Inspections & Evaluations Alvin Wright, Jr.
3/6/06 – present:	Deputy Assistant Inspector General for Inspections & Evaluations Edward J. Farley
8/18/08 – present:	Assistant Inspector General for Investigations Stacie Pittell
5/15/98 – present:	Deputy Assistant Inspector General for Investigations Alfred Miller
4/18/04 – present:	Director of Medicaid Fraud Control Unit Susan B. Kennedy
6/25/07 – 04/08/11:	Deputy Director of Medicaid Fraud Control Unit Jacqueline Schesnol
04/08/11 – present:	Vacant
3/12/93 – present:	Administrative Officer Grace Y. Price
3/16/98 – present:	Budget Officer Ranee Phillips
1/4/10 – present:	Supervisory Contract Specialist Thurman Dutton
2/17/98 – present:	Supervisory Information Technology Specialist Lesly Valentin

GENERAL ACTIVITIES

FISCAL YEAR 2011 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 2011 can be accessed on our website. Appendix A contains the topics and dates of OIG testimony presented before the D.C. Council.

FISCAL YEAR 2011 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 2011.

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 five delegations from China, two delegations from Japan, and delegations from Iraq and Indonesia.

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 Department of Employment Services, and the Department of Consumer and Regulatory Affairs, the IG spoke at several seminars focused on seniors and crimes against seniors, and the OIG Audit Planning Conference. In March, the IG was asked to provide a presentation to the Accountability, Compliance and Integrity (ACI) Advisory Board, which was tasked with making recommendations to the Prince George's County Executive concerning accountability and transparency in local government. The IG's presentation included best practices and the overall operations of the OIG. In June, the IG participated in a panel discussion concerning work coordination at the OCFO Office of Integrity and Oversight's Planning Conference. The conference's audience consisted of OCFO auditors and criminal investigators.

GENERAL ACTIVITIES

WEBSITE

The OIG website (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 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.

FISCAL YEAR 2012 AUDIT AND INSPECTION PLAN

AUDIT AND INSPECTION PLAN

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 2012 Plan includes audits and inspections ongoing as of September 1, 2011. A copy of our annual plan can be accessed via our website at 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 accomplishments;
- 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

AUDIT AND INSPECTION PLAN

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 2011. To ensure that FY 2012 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.

We have undertaken an ambitious Plan, shaped in part by concerns raised by District stakeholders. Accordingly, our Plan reflects ideas and suggestions from the Mayor's office, Council members, 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.

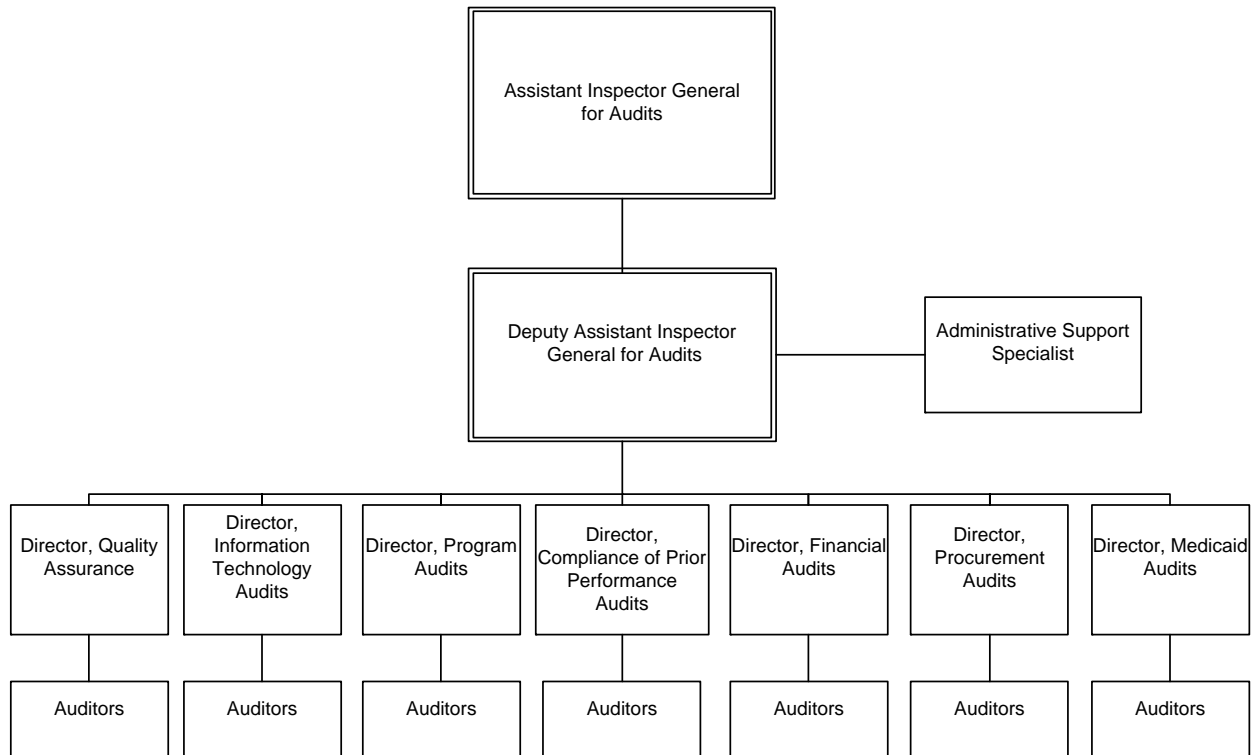
ACTIVITIES OF THE AUDIT DIVISION

ACTIVITIES OF THE AUDIT DIVISION

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) Information Technology Audits; (2) Program Audits; (3) Compliance of Prior Performance Audits; (4) Financial Statement Audits; (5) Procurement Audits; (6) Medicaid Audits; and (7) Quality Assurance. Our audit directorates are aligned to address the major risks facing the District.

**OIG Audit Division Organizational Chart
September 30, 2011**



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,

ACTIVITIES OF THE AUDIT DIVISION

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. Two important purposes of performance audits are to improve accountability and facilitate effective decision-making.

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
- 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-sector corporations, academic institutions, and other experts to identify best practices. Additionally, we are proud to have staff members who are qualified to teach audit-related

ACTIVITIES OF THE AUDIT DIVISION

subjects to the staff. In-house courses save money, by taking advantage of the knowledge and experience of our staff.

PROFESSIONAL ASSOCIATIONS AND ORGANIZATIONS

This past year, Audit Division employees maintained 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 that 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.

CONTINUATION OF LIAISON ACTIVITY

Pursuant to the statutory mandate contained in D.C. Code §§ 1-301.115a(a)(3)(B) and (C) (Supp. 2011), 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 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 2011: 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 C.

ACTIVITIES OF THE AUDIT DIVISION

SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDITS

For FY 2011, we issued 29 reports with total potential monetary benefits of approximately \$28.2 million. Comparing these to Audit Division costs of approximately \$2.9 million shows that a return on investment for audits performed by OIG audit staff approximates \$10 for each dollar invested.

To more readily identify potential benefits, the OIG includes a schedule in each audit report that summarizes the 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.

AUDIT AGENCY/OFFICE COVERAGE

The Audit Division issued 29 reports in FY 2011. Completed audits represented reviews undertaken as part of our FY 2011 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 D identifies the 24 District government agencies/offices audited during FY 2011.

AUDIT FOLLOW-UP

During FY 2011, the OIG initiated a directorate to conduct 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. Audit follow-up is the process that enables the OIG to monitor,

ACTIVITIES OF THE AUDIT DIVISION

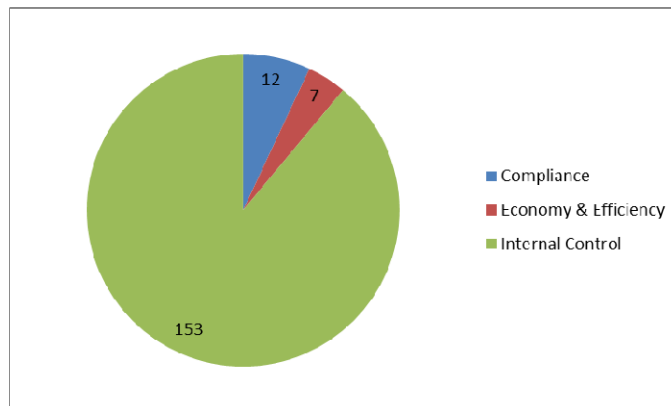
assess, and report on the status of agency implementation of agreed upon corrective actions recommended by prior audits. The audit follow-up should provide for systematic analysis of corrective action to determine whether the actions taken have addressed the problems that led to the recommendations. 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. Additionally, the Audit Division conducts triennial follow-up audits, issues follow-up letters, and meets with agencies to inquire as to the status of agreed to recommendations. The Audit Division issues 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 2011 AUDIT RECOMMENDATIONS

For FY 2011, the Audit Division made a total of 172 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 and D.C. Council to ensure that actions are taken to address recommendations made. Appendix E provides further information regarding audit recommendations for FY 2011. The following chart identifies the number of recommendations by category.

Analysis of Audit Recommendations by Category



ACTIVITIES OF THE AUDIT DIVISION

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 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, Executive Office of the Mayor (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 2011. 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 2011 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 2010 CAFR. On January 27, 2011, KPMG LLP issued the District's FY 2010 CAFR. This issuance marks the District's fourteenth consecutive unqualified opinion on its financial statements.

In connection with the audit of the District of Columbia's general purpose financial statements for FY 2010, 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. Significant deficiencies identified in the report are weaknesses in: (1) General Information Technology Controls; (2) Procurement and Disbursement Controls; (3) Monitoring Financial Reporting and Non-Routine Transactions in Stand-Alone Reports; (4)

ACTIVITIES OF THE AUDIT DIVISION

Financial Reporting Process at the Office of Tax and Revenue; and (5) Personnel Management and Employee Compensation Process.

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:

- 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 2011 reports is included at Appendix F. 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 Information Technology Staff Augmentation (ITSA) Contract, OIG No. 10-1-19TO, August 3, 2011

This audit was included in our Fiscal Year 2010 Audit and Inspection Plan. The Office of Contracting and Procurement (OCP) awarded an indefinite delivery/indefinite quantity contract to Optimal Solutions and Technologies Incorporated (OST) on behalf of the Office of the Chief Technology Officer (OCTO) to provide information technology (IT) services. OCTO augmented its IT staff by contracting for IT services. Through the ITSA services contract, OST is responsible for the procurement and contract administration of these IT services by subcontractors. An OCTO Contracting Officer's Technical Representative

ACTIVITIES OF THE AUDIT DIVISION

(COTR) is assigned to provide general administrative contract support to OST and the OCP Contracting Officer (CO). In this capacity, the COTR is responsible for the day-to-day monitoring and supervision of the contract, including advising the CO as to OST's compliance or noncompliance with the contract.

Our original audit objectives were to determine whether: (1) the contract was awarded in compliance with requirements of applicable laws, rules, regulations, policies, and procedures; (2) the contract was administered in an efficient, effective, and economical manner; and (3) internal controls were in place to safeguard against fraud, waste, and abuse. Based upon the results of our audit survey, we revised our audit objectives to include an evaluation of the effectiveness of internal controls at OCP over the award process for the ITSA contract.

OCP contracting officials did not comply with all Title 27 DCMR provisions related to the award of the ITSA contract. Specifically, OCP did not: determine in writing that the use of a contract for services, rather than the use of District employees, is substantially more economical and feasible; accept the best and final offer rate (at a lower cost to the District) for hourly service fees proposed by the contractor; determine cost reasonableness for a contract awarded over \$500,000; and provide adequate justification to modify the ITSA hourly service fee from a tiered pricing structure to a flat fixed fee when exercising the first option year.

We discussed these conditions with OCP contracting officials who indicated that: (1) managing the contracted services in-house was not feasible; (2) the proposed, lower hourly service fee rate was inadequate for OST to provide the required services; (3) a cost analysis was unnecessary and redundant; and (4) the District grossly overestimated its requirements (hours) during the request for proposal process.

In addition, OCP contracting officials did not include the requirement of 1% sales discount revenue in the ITSA contract terms and conditions when awarding the contract. OCP officials informed us that the requirement was omitted because the District would have difficulty recapturing the fee from the vendor.

As a result, the District's excess cost of using this contract for services (rather than District employees) may be as much as \$7 million over the 5-year contract period. OCP also awarded the contract for a higher contract price than proposed, which will result in additional expenditures of about \$1.9 million over the same period. Further, OCP did not determine that OST's contract price was reasonable and increased the contract hourly service fee by \$375,000 when modifying the first option year. In addition, the District lost sales discount revenue calculated to be about \$1.5 million over the 5-year contract period. In total, we calculate that the District may lose as much as \$10.78 million over the 5-year contract term.

ACTIVITIES OF THE AUDIT DIVISION

Moreover, OCP did not maintain adequate internal controls over the procurement process to ensure that the contract was safeguarded against fraud, waste, and abuse. Specifically, OCP officials could not provide or identify the key controls over the award process, but informed us that they are working on identifying them. We concluded that OCP lacked reasonable assurance that material error or fraud would be prevented or detected in a timely manner. We directed 10 recommendations to the OCP. The recommendations focused on complying with requirements established in Title 27 of the DCMR when awarding contracts; following established policies and procedures to award the contracts in accordance with the best and final offer price; and identifying and monitoring key controls over procurement processes to provide reasonable assurance that material error or fraud is detected in a timely manner.

SPENDING AND EFFICIENT USE OF RESOURCES

Audit of the Department of Health's HIV/AIDS Hepatitis STD TB Administration's Management and Administration of Hill's Community Residential Support Services, Inc. Grant, OIG No. 09-2-37HC, August 4, 2011

This audit was conducted at the request of HAHSTA's Care, Housing, and Support Services Bureau Chief, after receiving allegations of improprieties in Hill's Community Residential Support Services, Inc. (HCRSS) management operations of a Housing Opportunities for People with AIDS (HOPWA) grant. We also received a copy of a letter sent to the Executive Office of the Mayor, which documented allegations received from another source with knowledge of HCRSS operations. These allegations were lodged against both HCRSS and HAHSTA.

The objectives of the audit were to determine whether HAHSTA: (1) managed and used grant resources in an efficient, effective, and economical manner; (2) administered grant funds in compliance with applicable laws, regulations, policies, and procedures; (3) documented program reimbursements properly and for the correct amounts; and (4) established internal controls to safeguard against waste, fraud, and abuse. Based upon the allegations made in the complaints, we refined our audit objectives to include determining the validity of the allegations.

HAHSTA management did not adhere to the terms and conditions of the HOPWA grant agreement. Specifically, the purchase of goods and services included in invoices HCRSS submitted to HAHSTA for the period of October 2008 through December 2009 contained no evidence of actual expenditures as required by the grant agreement. For FY 2009, HAHSTA reimbursed \$267,192 to HCRSS, of which only \$102,394 contained evidence of an actual expenditure (e.g., a check, money order, or receipt). Documentation generally submitted by

ACTIVITIES OF THE AUDIT DIVISION

HCRSS was composed primarily of vendor invoices, employee timesheets, and bills from utility companies. These documents are not evidence of payment and should not have been used as a basis for reimbursement to HCRSS.

These conditions occurred because: (1) HAHSTA program monitors did not effectively fulfill their responsibilities to carry out HAHSTA's mission and perform programmatic monitoring of subgrantees; and (2) there was inadequate fiscal accountability over recording and reporting grant expenditures. As a result, HAHSTA provided ineffective management controls over operations, which affected areas such as program monitoring, fiscal responsibility, and receipt of deliverables.

We directed six recommendations to the Director of The Department of Health (DOH) that we believe are necessary to correct the deficiencies noted in this report. The recommendations, in part, center on ensuring that HAHSTA management implements procedures to ensure that grant monitors require subgrantees comply with all grant agreement terms; requiring that grant monitors validate all costs submitted to HAHSTA for reimbursement to ensure that HCRSS' expenses are valid; recouping from HCRSS all claimed costs that could not be validated as expenditures; and implementing an internal control structure that provides assurance that proper oversight and monitoring are provided for all subgrantees.

DELIVERY OF CITIZEN SERVICES

Audit of the District-Owned Nursing Homes, OIG No. 10-1-02BY/HT, September 23, 2011

This audit was included in the OIG's annual audit plan and is part of our continuous review of the District Medicaid program. The OIG initiated this audit because each home had been operated by Vital Management Team Long Term Management, Inc. (VMT) via long-term contracts to Washington Center for Aging Services (WCAS) for over 20 years and J.B. Johnson Nursing Center (JBJ) for 15 years. The lack of rebidding raised the question of whether the District was paying the best possible price for management services of District-owned nursing homes. During 2010, both facilities changed from a management contract (i.e., overseeing nursing home operations) to a ground lease where the nursing homes are to be managed by private companies for approximately the next 20 years.

The original audit objective was to determine OCP and the District Office on Aging (DCOA) compliance with the District's contract award and administration procedures. When the District decided to discontinue the nursing home management contracts and lease the facilities to private nursing home operators, the initial audit objective was changed and

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expanded to review transition issues from District-owned nursing homes to ground leases; review compliance with the final management contracts; and determine the reasonableness of Medicaid and Medicare claims submitted by VMT on behalf of WCAS and JBJ.

VMT used approximately \$2 million of District funds without authorization and violated performance conditions of its WCAS contract valued at approximately \$750,000. These events occurred because DCOA lacked internal controls to provide adequate contract oversight. In addition, VMT, a long-term District contractor, used its experience and assertive management style to execute questionable hiring practices and exercise improper account management. Without proper contract oversight, significant contract violations went unresolved or undetected for several years. As a result of our audit, we identified \$2.7 million in contract costs that the District could have avoided.

We directed five recommendations to the Executive Director for the DCOA, four recommendations to the Chief Procurement Officer, OCP, and one recommendation to the Chief Financial Officer, OCFO, that we believe are necessary to correct the deficiencies noted in this report. The recommendations, in part, focused on implementing steps to recover \$1.8 million of District funds VMT used to settle a U.S. Department of Labor fine, without District approval; implementing steps to recover \$195,489 VMT used to pay for its corporate legal fees, without District approval; implementing steps to recover \$400,000 from VMT for violating conditions of the WCAS contract by not submitting claims for Medicare reimbursement; implementing steps to recover \$357,839 from VMT for violating conditions of the WCAS contract, which prohibits subcontracting for services without proper approval; and implementing policies that maintain relevant work experience for COTR personnel to ensure proper contract monitoring.

SUPPORT SERVICES

Audit of the Office of Contracting and Procurement's Contracting Officer Qualifications, OIG No. 09-2-20PO, September 22, 2011

This audit was performed as part of our continuing audit coverage of procurement and contract administration, and as part of our oversight role relative to the American Recovery and Reinvestment Act of 2009. The audit objectives were to determine whether OCP established controls to ensure that its contracting officials were: 1) qualified to hold such positions; 2) properly trained to perform in such positions; and 3) subjected to adequate background checks to provide a measure of assurance that selected individuals do not abuse any position of trust.

ACTIVITIES OF THE AUDIT DIVISION

We addressed the third objective in a Management Implication Report (MIR 11-A-01) issued on June 30, 2011, to the Mayor and other District officials. In that report, we recommended issuance of a Mayor's directive to District subordinate agency heads that requires each to identify sensitive and high risk positions and to consult with the D.C. Department of Human Resources to implement mandatory criminal background checks for those positions.

As of July 20, 2010, OCP supported 55 District agencies by providing direct procurement support or by delegating contracting authority to agency employees. According to budget documentation obtained from the OCFO's Intranet site, OCP procures goods and services of about \$1.2 billion annually, and had an approved budget of \$12.6 million for FY 2010.

Effective April 8, 2011, the Procurement Practices Reform Act of 2010 (PPRA)¹ (D.C. Law 18-371), provides *inter alia* that: (1) the CPO establish and administer a procurement training institute; (2) contracting personnel be certified; and (3) contracting employees maintain their certification and proficiency through continuing education.

OCP neither had formal training for its professional contracting personnel nor required its contracting officers to obtain professional certification or enhance and maintain their proficiency through continuing education. These weaknesses were addressed in at least three prior reviews of OCP's procurement operations. As of November 30, 2010, there were 36 individuals with delegated procurement authority, and 13 of whom who were part of the Agency Contracting Officer (ACO) program. These 13 employees had limited procurement authority to make small purchases for their respective agencies. We eliminated these individuals from our review and concentrated on the remaining 23 contracting officers (COs) who were full-time procurement professionals.

We determined that only 10 of 23 COs (43 percent) had professional certifications. We reviewed the training records of the 17 COs with delegated procurement authority of \$1 million or more and found that only 7 (41 percent) had completed at least 1 training course during FY 2011; 7 (41 percent) had completed their last course during FY 2010; and the remaining 3 (18 percent) had their last recorded training during FY 2008.

We recommended that the CPO establish a formal training program for OCP's contracting staff to include certification and continuing education requirements, continue the initiative with the University of the District of Columbia (UDC) to establish the Institute of Procurement and Public Contracting (Institute), and formalize the agreement with UDC through a memorandum of understanding (MOU) that defines the roles and responsibilities of both OCP and UDC with respect to operating the Institute.

¹ The PPRA is codified at D. C. Code §§ 2-351.01 – 2-362.03.

ACTIVITIES OF THE AUDIT DIVISION

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 Procurement Activities at the Office of Public Education Facilities Modernization, OIG No. 09-2-28GM, June 29, 2011

Our audit objectives were to determine whether contracting actions at the Office of Public Education Facilities Modernization (OPEFM) were: (1) in compliance with requirements of applicable laws, rules and regulations, and policies and procedures; (2) awarded and administered in an efficient, effective, and economical manner; and (3) conducted in a manner where internal controls were in place to safeguard against fraud, waste, and abuse.

The report contained five findings that detailed the conditions found during our audit. We found that OPEFM does not have finalized procurement rules. The Public Education Reform Amendment Act of 2007 granted OPEFM independent procurement authority, but required the agency to promulgate rules to implement its authority. We also determined that the emergency procurement rules adopted by OPEFM on August 10, 2007, did not contain necessary provisions and contained provisions that were not consistent with existing procurement laws. For example, OPEFM's emergency procurement rules stated that the OPEFM Director makes the final decision for protests; however, the Contract Appeals Board is authorized to make the final decision. As a result, the District's interests may not be adequately protected and OPEFM's procurement rules could be misleading to contractors protesting contract awards made by OPEFM. Additionally, OPEFM improperly used the District of Columbia Supply Schedule (DCSS). OPEFM circumvented procurement laws by utilizing the services of a contractor after the DCSS contract expired and allowing the contractor to perform work without a written agreement.

We also found an apparent conflict of interest for an attorney who is a partner at a law firm that drafts solicitations and contracts for OPEFM. This attorney is also the son-in law of an executive at one of the construction companies that is an OPEFM contractor. Lastly, we

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revealed that the Executive Director of OPEFM hired his Chief of Staff as a contractor instead of a government employee.

We directed eight recommendations to the Executive Director of OPEFM, and one recommendation to the CPO, OCP, that we believe are necessary to correct the deficiencies noted in this report. The recommendations, in part, center on finalizing procurement rules to ensure operational practices are consistent with program objectives; amending OPEFM's procurement rules to ensure the District's interest is adequately protected and the rules are consistent with procurement laws; and tracking contracts and agreements to ensure contractors do not perform work without written agreements once the contracts and agreements expire.

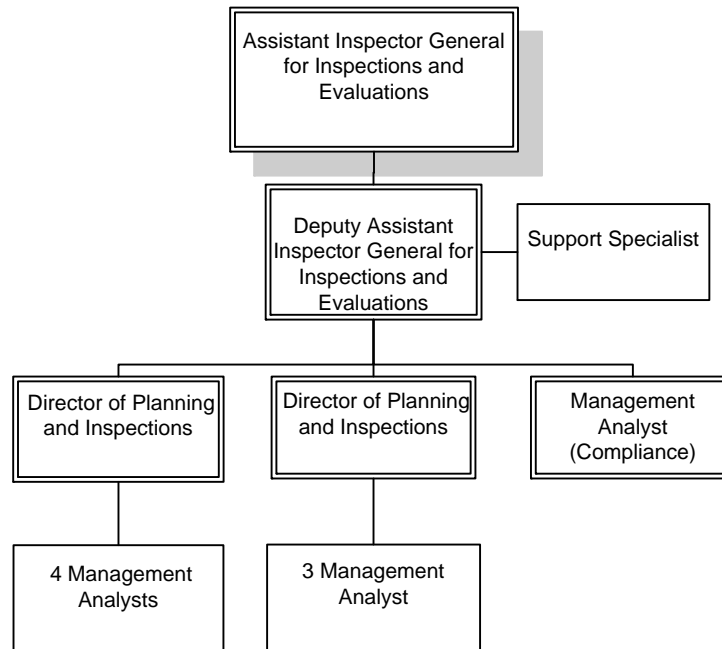
ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION

ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION

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 FY 2011



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

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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 and 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. All managers and analysts have a 4-year degree from an accredited college or university, typically in the fields of business and 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 Inspections promulgated by the Council of 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 2011. I&E exceeded its goal by issuing 11 reports. See Appendix G.

Performance is measured 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 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.

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In FY 2011, I&E initiated inspections of the Department on Disability Services' Developmental Disabilities Administration; the Department of Health's HIV/AIDS, Hepatitis, STD, and Tuberculosis Administration; the Department of Employment Services' Office of Unemployment Compensation; and the Department of Human Services' Office of Shelter Monitoring, which conducts oversight of the District's homeless shelters and the contractors who operate them. I&E analysts also concluded fieldwork related to projects in the Office of Administrative Hearings and the Department of Health's Addiction Prevention and Recovery Administration, and issued reports pertaining to these activities.

The following are synopses of the 11 reports I&E issued during FY 2011. The number of findings and recommendations resulting from each report appear in Appendix H.

Office of the City Administrator (OCA)
Management Implication Report 11-I-001
*Lack of Awareness, Policies and Procedures, Training Requirements, and Oversight
Mechanisms Regarding the Reporting of Suspected Child Abuse and Neglect
in District Entities*
(Report Published October 8, 2010)

The MIR pointed out that some agencies: 1) have not ensured that mandated reporters have been trained to detect and report signs of child abuse and neglect; 2) do not have oversight mechanisms in place to track how and when mandated reporters are trained; and/or 3) do not have policies and procedures for reporting suspected child abuse and neglect. The MIR, and written responses submitted by the OCA and Department of Human Resources, are posted in the October 2010 section of the I&E report archive at <http://oig.dc.gov>.

Office of the City Administrator
Management Implication Report 11-I-002
*District Agencies Without Comprehensive, Up-to-Date, or Written Policies and Procedures
Have Increased Risk of Poor Performance, Safety and Security Issues,
as well as Fraud, Waste, and Abuse*
(Report Published December 20, 2010)

To draw new attention to this recurring deficiency in District government, I&E issued a MIR citing OIG reports dating back to the year 2000 that documented numerous instances in which District agencies did not have sufficient or any written policies and procedures that provide clear guidance to employees on carrying out their job-related duties. (Following the January 2011 inauguration of the current mayoral administration, the OIG again sent the MIR to the OCA with a request for a written response; the OCA did not provide one.) The MIR may be found in the December 2010 section of the I&E report archive at <http://oig.dc.gov>.

ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION

**Department of Employment Services (DOES)
Office of Unemployment Compensation Benefits Division
Report of Special Evaluation (11-I-0038CF)
(Report Published February 10, 2011)**

I&E conducted this special evaluation to assess DOES' efficiency and timeliness in issuing unemployment benefits. The I&E team found, among other things, that DOES lacked a procedure manual for processing claims, and did not provide formal, job-specific training or conduct adequate quality assurance and employee performance monitoring. To read the special evaluation, which contains five findings, eight recommendations, and comments DOES furnished following its review of the draft report, visit the February 2011 section of the I&E report archive at <http://oig.dc.gov>.

**Office of the City Administrator and
the Superior Court of the District of Columbia (DCSC)
Management Implication Report 11-I-003
*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*
(Report Published March 31, 2011)**

This MIR resulted from I&E fieldwork pertaining to its inspection of the Department of Human Services' Adult Protective Services program. The MIR alerted the OCA and DCSC to a lack of awareness, procedures, and oversight regarding the reporting of known and suspected instances of abuse and neglect of elders and other vulnerable adults. The MIR and DCSC's response are found in the March 2011 section of the I&E report archive at <http://oig.dc.gov>. (OCA did not respond to the OIG's request for written comments on the MIR's findings and recommendations.)

**Child and Family Services Agency (CFSA)
Child Protective Services Administration
Report of Inspection 11-I-0039RL
(Report Published April 20, 2011)**

At the conclusion of this inspection, the OIG made 23 recommendations to CFSA to address noted deficiencies, strengthen internal controls, and increase operational effectiveness. A number of the recommendations focused on the need for better documentation of investigative and managerial activities, and improved training and supervision of employees. To read the ROI, which includes CFSA's responses to the findings as well as comments furnished by the D.C. Public Schools and the Public Charter School Board following their

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reviews of one of the report's key findings, visit the April 2011 section of the I&E report archive at <http://oig.dc.gov>.

Fire and Emergency Medical Services Department (FEMS)
Report of Special Evaluation: *Review of FEMS December 2, 2008,*
No-Transport Response (11-I-0040FB)
(Report Published May 24, 2011)

Following the death of a 39 year-old District citizen, who on December 2, 2008, declined FEMS employees' offers to transport him to a hospital for further medical evaluation, I&E evaluated FEMS' assessment of and care provided to the patient, and the thoroughness and conclusions of the internal reviews (Medical Quality Review and Operational Review) that FEMS conducted following the incident. The OIG report addressed issues pertaining to patient evaluation, communication between FEMS providers, and event documentation, and made eight recommendations. To read the report, visit the May 2011 section of the I&E report archive at <http://oig.dc.gov>.

Department of Employment Services – Office of Unemployment Compensation
Management Alert Report 11-I-001
Computer Programming Safeguards for Accurate Issuance of Unemployment Benefits
Were Inappropriately Turned Off Due to Inadequate Internal Controls
(Report Published June 7, 2011)

During its ongoing special evaluation of DOES, I&E found that due to inadequate internal controls, essential features of DOES' management information system were inappropriately disabled for 17 months, from February 2009 to July 2010. During that period, safeguards intended to flag, prevent, and/or stop payments of benefits to ineligible applicants were intentionally deactivated. In its July 2011 response to the MAR, DOES stated it planned to contact over 2,700 benefits claimants from the 17-month period and determine whether they were eligible for the benefits received. The MAR and DOES' response are posted in the June 2011 section of the I&E report archive at <http://oig.dc.gov>.

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Office of Administrative Hearings (OAH)

Management Alert Report 11-I-002

District Government Agency Representatives' Failure to Appear at Office of Administrative Hearings Proceedings May Result in Rulings Unfavorable to the District **(Report Published June 15, 2011)**

Subsequent to publication of its September 2009 Report of Inspection of OAH, the OIG became aware of instances in which District agency representatives failed to appear for scheduled OAH proceedings; such absences could result in rulings unfavorable to and potential monetary loss for the District. The OIG identified and contacted government agencies that failed to attend scheduled hearings and requested explanations of the reason(s) for the agency's absence from each hearing, as well as what corrective action would be taken to prevent future absences. Through dialogue with OAH and the agencies that frequently attend proceedings at OAH, the OIG learned that inter- and intra-agency communication regarding OAH hearings had improved. To view the MAR and OAH's response to it, visit the June 2011 section of the I&E report archive at <http://oig.dc.gov>.

Metropolitan Police Department (MPD)

Report of Special Evaluation: *Special Operations Division Approval and Conduct of Non-Dignitary Escorts* (11-I-0041FA) **(Report Published July 12, 2011)**

Following significant media attention, public comment, and a hotline complaint questioning the propriety of a motorized escort provided by MPD on April 19, 2011, I&E conducted a special evaluation to assess the policies, procedures, and practices of MPD's Special Operations Division, which approved and provided the controversial escort. This report addresses issues and findings regarding a lack of clearly written MPD guidelines for approving and conducting non-dignitary escorts, inconsistent coordination by MPD with other law enforcement agencies for inter-jurisdictional escorts, the absence of contracts with entities requesting escorts, and infrequent auditing of the invoicing and payment process. The report, which contained 11 recommendations, may be viewed in the July 2011 section of the I&E report archive at <http://oig.dc.gov>.

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**Fire and Emergency Medical Services Department and
Office of Unified Communications (OUC)
Management Alert Report 11-I-003
*Number of FEMS Personnel Stationed at OUC Not Justified
in Light of Many Operational Vacancies*
(Report Published August 10, 2011)**

During fieldwork pertaining to a special evaluation of the OUC, the OIG found that FEMS stationed 13 senior employees at OUC as liaisons. However, there was no official, written agreement between the two agencies authorizing FEMS' presence, and FEMS officials did not provide a clear picture to the OIG of measurable benefits to either FEMS or OUC to justify stationing this number of employees at OUC. To view the MAR and FEMS' and OUC's responses to it, visit the August 2011 section of the I&E report archive at <http://oig.dc.gov>.

**Addiction Prevention and Recovery Administration (APRA)
Report of Special Evaluation (11-I-0042/43HC)
Detoxification and Stabilization Center
(Excerpt of Report Published September 14, 2011)**

This special evaluation examined APRA's oversight and management of practices and events surrounding the December 2008 death of a client who was being treated at the Detoxification and Stabilization Center, a facility that APRA operated until its closure in August 2009. A full report of special evaluation was sent to the Department of Health in August 2011, but the OIG could not disseminate it publically due to District confidentiality laws. An excerpt of the full report was published on September 14, 2011, and highlighted instances of poor oversight, questionable decisions and inaction by APRA management, and presented recommendations to enhance APRA's effectiveness in monitoring the District's substance abuse treatment and detoxification facilities. To read the excerpt of the Report of Special Evaluation, visit the September 2011 section of the I&E report archive at <http://oig.dc.gov>.

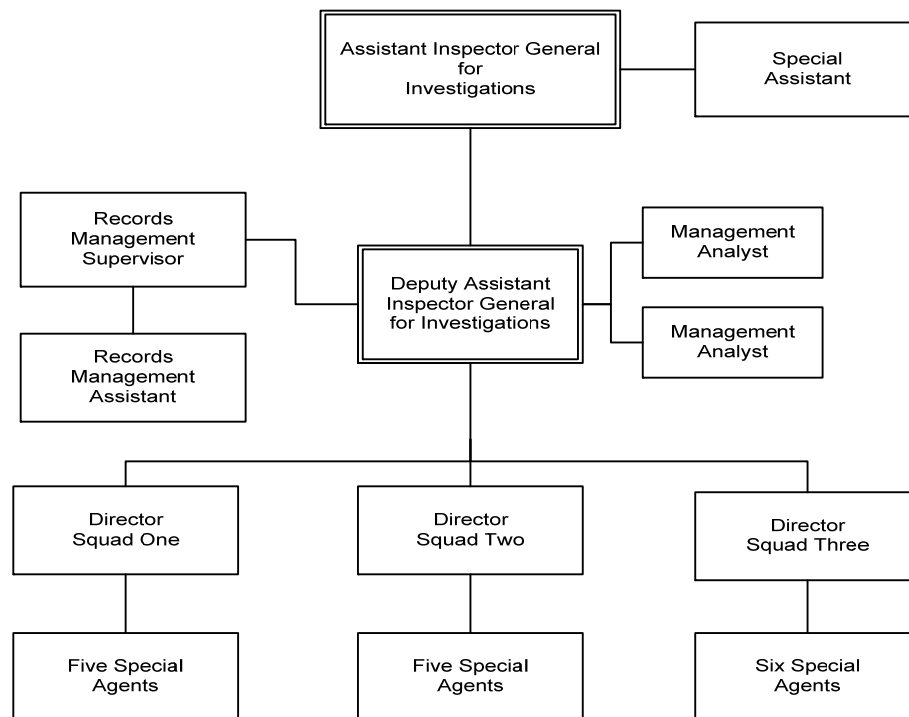
ACTIVITIES OF THE INVESTIGATIONS DIVISION

ACTIVITIES OF THE INVESTIGATIONS DIVISION

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



The ID consists of 26 employees, including 6 managerial/supervisory personnel, 16 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 degrees and professional certifications. Newly hired special agents are required to meet

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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 important to the 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 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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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 numerous complaints by electronic mail (email) and some complaints by 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 I provides a statistical comparison of actual FY 2011 performance of these functions with target goals. In FY 2011, the ID exceeded its target goals in all three performance measures. Appendix J reflects a separate statistical accounting of a variety of ID accomplishments and compares that accounting with the previous 3 fiscal years.

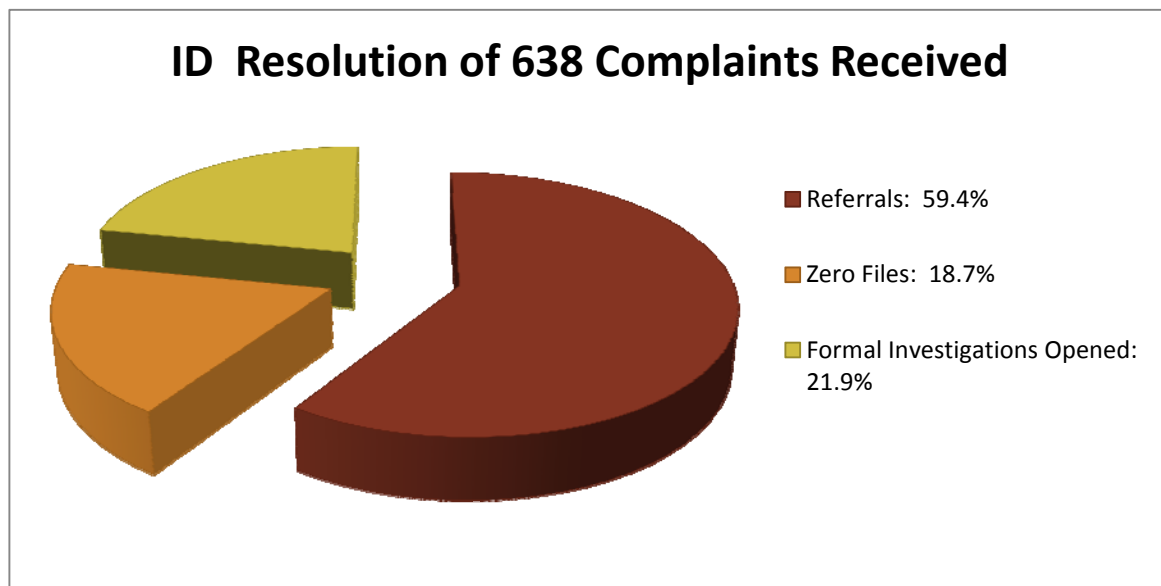
INVESTIGATIVE WORKLOAD AND PRIORITIES

During FY 2011, the ID processed 638 new complaints. Of those 638 new complaints, the ID opened 140 formal investigations, including 84 criminal investigations, 7 administrative investigations, 42 preliminary investigations, and 7 were consolidated into existing investigations. In addition, of the 638 new complaints, the ID referred 379 to agency heads for action, and closed 119 without further action (or placed in a "Zero file"). During FY 2011, ID special agents conducted 3 searches pursuant to the OIG's administrative authority

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or a search warrant and 210 subpoenas were issued to further the ID's investigations. Twenty-five arrests were made as a result of OIG criminal investigations and two people were indicted. In addition to the prosecutorial activity described below, ID investigations resulted in administrative sanctions against four District government employees because of their misconduct.

The chart below reflects the proportionate resolution of 638 new complaints received in FY 2011.



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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INVESTIGATIONS CLOSED

In FY 2011, the ID closed 125 formal investigations. The formal investigations closed include 22 that resulted in a criminal conviction of at least 1 person, 10 that resulted in substantiated administrative violations, and 19 that resulted in a referral, notification, or request for action to the agency. Appendix K details the agencies involved in the formal investigations closed during FY 2011.

HOTLINE USAGE

Detailed OIG Hotline statistics are included in Appendix L. 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.

During FY 2011, the OIG received a total of 158 calls on the OIG Hotline that required further action by the ID. 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 for prosecutorial consideration. *See* D.C. Code § 1-301.115a(3)(F)(ii) (Supp. 2011). In FY 2011, the OIG presented 52 cases to the USAO for possible prosecution. Of these, 20 cases were accepted for further investigation, 29 cases were declined, and 3 still are 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 20 convictions in FY 2011. In addition, 33 people were sentenced in FY 2011. The sentences included imprisonment, home

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detention, probation, fines, community service, and restitution. Sentences of imprisonment imposed in FY 2011 stemming from OIG investigations totaled 285 months.

RESTITUTION AND RECOVERIES

During FY 2011, individuals convicted as a result of ID investigations were ordered to pay a total of \$491,985.80 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 10 ROIs in FY 2011 containing a total of 32 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 2011, the ID issued six 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 2011, the ID issued 24 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 31 Investigative Referrals in FY 2011. 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 2011, the ID issued three Letters of Closure. The ID also completed 18 Administrative Closures, which are reports prepared when an administrative investigation is closed without a substantiated finding, and 35 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.

PERSONNEL ACHIEVEMENTS

During FY 2011, former D.C. Office of the Inspector General Special Agent Lloyd V. Hodge, who passed away in June 2009, received posthumously a U.S. Department of Justice award in recognition for his work on an investigation that revealed a vast bribery and kickback scheme involving high level officials from the D.C. Office of the Chief Technology

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Officer. The scheme dated back to 2005, and the principal co-conspirators billed D.C. government for “ghost employees” and for software that was never delivered, and overbilled for actual contractors.

In presenting the award, the United States Attorney’s Office for the District of Columbia (USAO) acknowledged that Special Agent Hodge helped guide the investigation with his knowledge of the District government and his ability to obtain important documentation necessary for the investigation. Special Agent Hodge’s parents accepted the award in his honor at the USAO Thirty-First Annual Law Enforcement Awards Ceremony.

SIGNIFICANT INVESTIGATIONS

Former Office of the Chief Financial Officer (OCFO) Employee Received Bribes From a Member of the Public for Submitting Forged and Fraudulent Documents to Obtain Credit Certificates

A former OCFO employee received bribes from a member of the public for forging her supervisor’s signature on tax credit certificates for businesses associated with the member of the public’s business. This resulted in a loss to the District government totaling \$106,232. On November 19, 2010, the OCFO employee pled guilty to Bribery (18 U.S.C. § 201) and the member of the public pled guilty to Supplementation of Salary (18 U.S.C. § 209). On February 17, 2011, the OCFO employee was sentenced to 5 years of probation, payment of \$106,232 in restitution, and 200 hours of community service. The member of the public was sentenced to 3 years of probation, a fine of \$2,500, and 200 hours of community service.

Daughter of a Retired District of Columbia Government Employee Fraudulently Obtained Her Deceased Mother’s Retirement Benefits

Working jointly with the U.S. Office of Personnel Management OIG, the OIG conducted an investigation which revealed that a member of the public, who was the daughter of a retired District government employee, fraudulently obtained for her personal use government retirement benefits issued in the name of her deceased mother. On November 10, 2010, the member of the public pled guilty to Conversion of Government Funds (18 U.S.C. § 641). On January 26, 2011, she was sentenced to 5 years of probation and payment of \$34,987.50 in restitution.

Employee of Building Maintenance Contractor Stole D.C. Government Checks

The OIG and the FBI conducted an investigation which revealed that from July 2010 to November 2011, an employee of the contractor responsible for building maintenance at the OCFO stole from the OCFO 30 checks made payable to the D.C. Treasurer. The 30 checks totaled \$32,211. After the investigation, on May 9, 2011, the defendant pled guilty to

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Interstate Transportation of Stolen Property (18 U.S.C. § 2314). On July 29, 2011, a U.S. District Court judge sentenced the defendant to 3 months in prison, 3 years of supervised probation, and payment of \$31,211 in restitution.

Former Addiction Prevention Recovery Agency (APRA) Employee Absent Without Leave and Earned District Salary

A former Program Manager with APRA, a division of the D.C. Department of Health, was Absent Without Leave (AWOL) from his District government job on numerous occasions during the period October 2006 through February 2008. Specifically, the former APRA employee was AWOL for a total of 322 hours and earned \$12,739.71 in District government salary for those hours. On March 8, 2011, the former APRA employee pled guilty to four counts of False Representation (D.C. Code § 2-308.21) and one count of False Statements (D.C. Code § 22-2405) and was sentenced to 1 year of unsupervised probation and 322 hours of community service, in lieu of restitution of the salary he earned while he was AWOL.

Former Office of the State Superintendent of Education (OSSE) Employee Pled Guilty to False Personation of a United States Citizen

A joint investigation with U.S. Immigration and Customs Enforcement revealed that an OSSE employee falsified part of the Employment Eligibility Verification portion of a District government employment application by misrepresenting United States citizenship and authorization to work in the United States. The former OSSE employee pled guilty to one count of False Personation of a Citizen of the United States (18 U.S.C. § 911) and was sentenced to 24 months of probation, 50 hours of community service, and a fine of \$250.

Former D.C. Fire and Emergency Medical Services Department (FEMS) Employee Fraudulently Received Payments for Cardiopulmonary Resuscitation (CPR) Classes Taught on Duty

A former FEMS firefighter fraudulently obtained \$3,610 in payments from members of the public who attended her CPR training classes. The FEMS employee taught the CPR classes as part of her FEMS duties, collected the payments, and deposited them into her personal bank account instead of turning them over to FEMS, as required. On March 24, 2011, the former FEMS employee pled guilty to First Degree Fraud (D.C. Code § 22-3221), a misdemeanor. On April 7, 2011, the former FEMS employee was sentenced to 30 days of incarceration (all but 7 days suspended), 3 years of supervised probation, and payment of \$3,610 in restitution.

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Former Office of the Chief Technology Officer (OCTO) Contractor Convicted and Sentenced for the Theft of Laptop Computers from D.C. Public Schools (DCPS)

The OIG, working jointly with the FBI, conducted an investigation which revealed that a former OCTO contractor stole 14 laptop computers from a storage room located in a DCPS administrative office. On June 10, 2011, the former OCTO contractor pled guilty to Second Degree Theft (D.C. Code §§ 22-3211 and 22-3212). On September 8, 2011, the former OCTO contractor was sentenced to 180 days in prison (suspended), 18 months of supervised probation, and payment of \$2,000 in restitution.

Former Court Services and Offender Supervision Agency (CSOSA) Employee and a Relative Convicted and Sentenced for Submitting Fraudulent Documents to Obtain District Child Care Subsidy Benefits

A CSOSA employee and the aunt of the CSOSA employee both submitted fraudulent income and residency documents to obtain OSSE Child Care Subsidy benefits. Both pled guilty to First Degree Fraud (D.C. Code § 22-3221). On September 22, 2010, the CSOSA employee was sentenced to 5 years of supervised probation, 100 hours of community service, and payment of \$10,962 in restitution. On March 2, 2011, the aunt was sentenced to 5 years in prison (suspended except for 40 days), 5 years of probation, and payment of \$32,000 in restitution.

Misconduct Violations by the Former Acting Director of the D.C. Department of Parks and Recreation (DPR)

The former Acting DPR Director engaged in conduct that constituted a conflict of interest in an attempt to establish D.C. residency because she erroneously thought D.C. residency was a requirement of her acting position. The investigation revealed that in July 2009, the acting DPR Director began living in the basement of a friend's residence, rent-free, and then hired the friend to work at DPR. The OIG investigation determined that the Director violated sections of the DPM.

Misconduct Violations by Employees of the District of Columbia Department of Transportation (DDOT), Office of Unified Communications (OUC), and the Department of Consumer and Regulatory Affairs (DCRA)

From mid-September 2010 to mid-October 2010, a DDOT employee and an OUC employee used District government property and resources to engage in a personal and sexual relationship. The investigation revealed that the two employees used District government computers, smartphones, and email accounts for sexually explicit communications and to arrange personal meetings. The OIG investigation also revealed that, without authorization, the husband of the DDOT employee, a DCRA employee, inappropriately accessed the DDOT

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employee's District government smart phone, emails, and office. The OIG investigation determined that all three District government employees violated sections of the DPM.

Office of Risk Management's (ORM) Failure to Remit Life and Federal Health Insurance Premiums to Vendors on Behalf of District Disability Compensation Recipients

ORM failed to remit premiums to the District's life insurance vendor, and OPM, the entity that handles health insurance for all District disability compensation recipients participating in the Federal Employees' Health Benefits Program. The OIG investigation also determined that ORM failed to use any of the existing District payment processes to remit these payments. The OIG investigation did not uncover any valid explanations as to why ORM had failed to remit these premium payments.

The OIG made several recommendations to the Office of the City Administrator, including that it implement appropriate procedures to administer benefits for District employees receiving disability compensation by either transferring these responsibilities from ORM to another District agency better suited to properly administer such benefits, or by providing ORM with appropriately trained human resources benefits personnel who have the required knowledge and skills to properly administer these benefits.

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 2011, the OIG referred a total of 381 matters to the District agencies set forth in Appendix M. Appendix N details FY 2011 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

Inmate Received Public Assistance Benefits to Which He Was Not Entitled

The OIG referred to the D.C. Department of Human Services (DHS) allegations that an incarcerated person was receiving public assistance benefits to which he was not entitled and

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which were being collected on the inmate's behalf by others. DHS conducted an investigation of the matter and determined that the person had, in fact, been receiving \$470 in public assistance benefits to which he was not entitled while he was incarcerated. DHS indicated that it would seek recoupment of the \$470 in benefits.

DCPS Reviewed Its Telecommuting Policy

This OIG referral to DCPS concerns allegations of inappropriate time and attendance policies that allowed certain employees to receive full pay even though they were not coming into the workplace. DCPS reviewed its time and attendance policies and determined that the DCPS Office of Special Education improperly implemented a telecommuting policy and allowed one person to telecommute for 4 to 5 months. DCPS reported that it rectified the situation by suspending the Office of Special Education telecommuting policy until DCPS properly instituted a formal telecommuting policy that fully complies with District personnel regulations. DCPS also reported that it adjusted the leave balances of the DCPS employee who had been permitted to telecommute to accurately reflect her work and leave status during that period.

DC Water Determines Need for Improved Internal Controls for Materials

This referral concerned a complaint that a member of the public observed two DC Water employees carrying large rolls of copper from a DC Water truck to a residence. DC Water investigated the matter and was unable to substantiate the theft of rolls of copper because the work management system did not tie the amount of copper used to specific work orders. Accordingly, DC Water indicated that it will establish additional internal controls in its materials handling.

Furniture Left Behind When District Agency Vacated Private Office Space

The OIG referred to the Office of Contracting and Procurement (OCP) and the Department of Real Estate Services (DRES)¹ an issue regarding furniture left behind when a District agency vacated its office space in a private building. OCP responded that OCP will assist with surplus property disposals if notified by DRES of the relocation of the District agency and the need for assistance. OCP indicated, however, that it had not been notified of the need for assistance in this particular matter. The OIG responded to OCP and requested additional information, including to whom the furniture belongs: the owner of the private building or the District, given that the District agency left the furniture behind when it vacated the space. OCP has not yet responded to that request for additional information. In addition, DRES has not responded to the OIG's initial referral.

¹ DRES has since been consolidated into a new District agency, the Department of General Services.

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District Department of the Environment (DDOE) Looks Into Lack of Low Income Home Energy Assistance Program (LIHEAP) Payments

This referral concerns a complaint that the DDOE Office of Energy LIHEAP had not sent energy subsidy payments to an eligible recipient for 8 years and had failed to resolve the matter with the recipient directly. DDOE responded that it issued a LIHEAP payment to the recipient during FY 2005 but that, subsequently, the recipient had not applied for LIHEAP benefits. DDOE suggested that the recipient may have confused different types of energy assistance benefits, causing the recipient to erroneously believe she had applied for LIHEAP benefits when, in fact, she had not.

Voter Information Posted on Board of Elections and Ethics (BOEE) Website

The OIG referred to the BOEE allegations that unsecured confidential citizen information had been posted on the agency's website. BOEE reported to the OIG that beginning September 1, 2010, it launched an online service that makes publicly available voter information, including voters' names, addresses, and party affiliation. According to BOEE, there is no provision in the D.C. Election Code that renders this information confidential, but noted that it will keep confidential the voter registration information of any individual who provides BOEE with an appropriate court order.

Department of Public Works (DPW) and Department of Motor Vehicles (DMV) Held Accountable for Issuance and Adjudication of Parking Tickets, Respectively

During FY 2011, the OIG received a number of complaints from members of the public regarding the issuance of parking tickets by DPW employees and the adjudication of parking tickets by the DMV. Complaints about ticket issuance concerned matters such as malfunctioning meters, tickets issued improperly, and failure of the ticketing agent to leave the ticket on the vehicle. Complaints about ticket adjudication concerned matters such as whether evidence presented during the adjudication process was considered by the hearing officer, imposition of late penalties, and not receiving timely final adjudication of a ticket. In each instance, the OIG referred the complaint to DPW and/or DMV in an effort to ensure that the appropriate agency follow all pertinent procedures and promptly notify the member of the public of the final determination regarding his or her ticket.

Office of Tax and Revenue (OTR) Corrects Property Tax Miscalculation

The OIG referred to the OTR a complaint that residents living in a newly-constructed development had been overcharged for property taxes. OTR reviewed the matter and discovered an error with the tax calculation used by its tax system, causing an overcharge to all properties within a particular area. OTR indicated to the OIG that it corrected the error and notified the complaining resident.

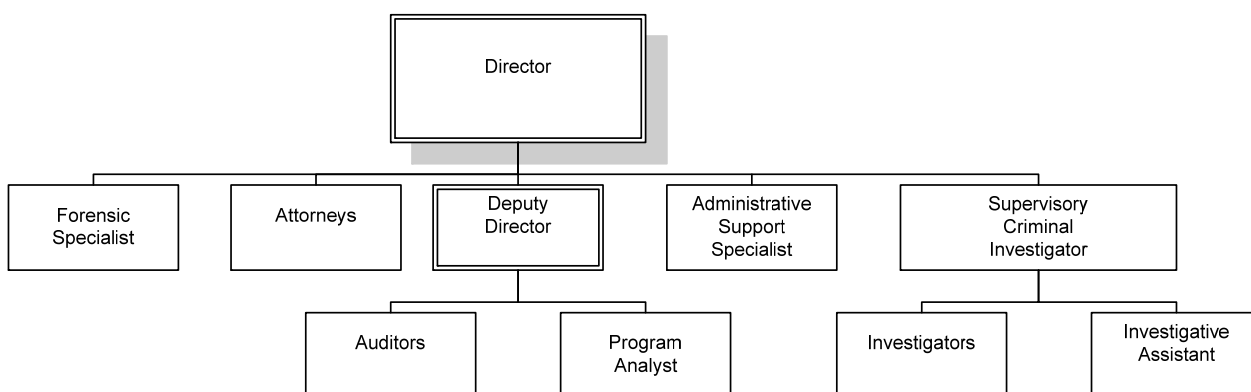
**ACTIVITIES OF
THE MEDICAID FRAUD CONTROL UNIT**

ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT

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, 2011



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

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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 multi-national pharmaceutical companies; and (2) abuse, neglect, or financial exploitation of vulnerable adults who reside in, or receive services from, Medicaid-funded facilities, including nursing homes, hospitals, and other residential and therapeutic service providers.

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. In total, the MFCU received more than 3,000 complaints, incidents reports, and referrals in FY 2011.

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 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

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to the MFCU.¹ Beginning in 2009, representatives from the two entities 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. In FY 2011, the MFCU hosted a day-long training seminar on the use of anatomically correct dolls in sexual assault investigations. 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. Additionally, the MFCU's Supervisory Criminal Investigator was the only non-federal employee to participate on a panel at the Provider Compliance Training of Health Care Fraud Prevention and Enforcement Action Team (HEAT), a joint task force of the U.S. Department of Justice and the HHS Office of the Inspector General.

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. By working with these agencies, MFCU increases its visibility while enlarging the resources available to its investigators, auditors, and attorneys.

Community Outreach and Education

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 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. The MFCU attorneys spoke at local senior centers, advising attendees about their rights, how to avoid becoming a victim, and how to report abuse. Attorneys also made presentations to law enforcement delegates from China, Japan, and Turkey.

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

¹ See 42 CFR § 455.15(a)(1).

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contributed to an article about fraud-fighting developments that appeared in the *Health Care Fraud Report*, a publication of the Bureau of National Affairs (BNA).²

Other Professional Activities

In addition to their prosecutorial efforts, the MFCU staff is 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; in FY 2011, a MFCU attorney also attended the committee meetings. 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.

During FY 2011, 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, the Resident Abuse Training Program, the Reid Technique of Interviewing and Interrogation, Medicaid Statistics and Data Analysis, and Evidence and Property Management.

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*, or whistleblower lawsuit, filed pursuant to the D.C.³ or federal False Claims Act (FCA).⁴ The D.C. and federal FCA both impose liability on contractors who defraud the government; the

² "Outlook 2011: Permissive Exclusion, Increase in Oversight Expected for 2011," 15 Health Care Fraud Rep. (BNA) No.1, at 50 (Jan. 12, 2011).

³ D.C. Code §§2-381.01 thru .09 (Supp. 2011).

⁴ False Claims Act, 31 U.S.C. §§ 3729- 3733.

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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 100 allegations of fraud against the D.C. Medicaid program, 4 of which are *qui tam* suits. The MFCU is also participating, to varying degrees, in more than 300 “global” (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.

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.

In FY 2011, the MFCU resolved one District of Columbia criminal fraud case, resulting in recovery of almost \$104,000. The MFCU initiated another matter whose resolution led to a federal recovery. These two matters are discussed more fully below.

United States v. Olamac Transportation

From 2003–2007, a former transportation provider for the D.C. Medicaid program submitted over 3,000 fraudulent claims to Medicaid for reimbursement for services that he did not provide. In each of these instances, the Medicaid recipients had been admitted to a hospital for treatment, were deceased, or did not have a corresponding healthcare appointment on the date for which the claim was submitted. The defendant pled guilty to one count of making a false statement relating to a healthcare matters, and was sentenced to a total of 10 months incarceration (5 of which were to be served as home confinement), followed by 3 years of supervised release. He was also ordered to pay \$103,798.85 in restitution to the Medicaid program.

United States v. Gray

The MFCU initiated an investigation into a scheme involving taxi drivers who provided non-emergency transport services to Medicaid recipients and were paid in cash. The USAO

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pursued tax fraud charges and, as a result of the MFCU investigation and analysis of the information, obtained a pre-indictment guilty plea to one charge each of willful failure to file a federal return and willful failure to make a D.C. tax return. The defendant was sentenced to 30 days in jail and 5 months of community confinement, and ordered to make restitution to the U.S. Internal Revenue Service in the amount of \$34,572.

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.

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 26 states have such statutes.

The responsibilities of the subcommittee members vary. During FY 2011, 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. Beginning in FY 2012, that attorney is expected to expand the MFCU's direct involvement in global cases.

Global Settlements

In FY 2011, the District recovered nearly \$2.5 million for the Medicaid program from 14 global settlements.

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AstraZeneca Pharmaceuticals LP

The District of Columbia received \$1,257,018 as part of a \$520 million global settlement with AstraZeneca Pharmaceuticals LP (AstraZeneca). The settlement resolved allegations that from 2001 through 2006, AstraZeneca engaged in a marketing campaign to improperly promote the antipsychotic drug Seroquel for uses that the U.S. Food and Drug Administration (FDA) had not approved, including such medical conditions as aggression, Alzheimer's disorder, attention deficit hyperactivity disorder, and sleeplessness. AstraZeneca was also alleged to have made illegal payments to physicians, paying their travel expenses to resort locations to "advise" AstraZeneca about marketing messages for unapproved uses, to serve as authors of articles written by AstraZeneca and its agents, and to conduct studies for unapproved uses of Seroquel. The government asserted that as a result of these promotional activities, AstraZeneca allegedly caused physicians to prescribe Seroquel for non-medically accepted indications.

Novartis Pharmaceuticals Corp.

The District of Columbia collaborated with other states and the federal government to reach a \$72 million global settlement with Novartis Pharmaceuticals Corp. (Novartis). This settlement resolved allegations that in 2006, Novartis knowingly promoted the drug TOBI, which is used to treat cystic fibrosis, for uses other than those approved by the FDA. The District of Columbia received \$3,632 in restitution as a result of this settlement.

Novartis

Novartis agreed to pay \$237.5 million in damages and penalties to the United States, D.C., and the participating states to settle claims that it defrauded state Medicaid programs as well as other federal healthcare programs. The government alleged that Novartis improperly promoted the anti-epileptic drug Trileptal for unapproved uses such as the treatment of bipolar disorder and neuropathic pain, and also engaged in an unlawful kickback scheme to induce physicians to prescribe Trileptal and five other drugs. This settlement resulted in a total recovery of \$559,376 for the D.C. Medicaid program.

Ortho-McNeil-Janssen Pharmaceuticals, Inc.

The District of Columbia received \$60,432 as part of a \$75 million global settlement with Ortho-McNeil-Janssen Pharmaceuticals, Inc. (Ortho-McNeil-Janssen), to settle allegations that the company violated the False Claims Act by engaging in off-label marketing of its anticonvulsant drug Topomax. Specifically, the government alleged that Ortho-McNeil-Janssen marketed Topomax to physicians for a variety of psychiatric conditions, including bipolar disorder and drug and alcohol dependency, despite its limited FDA approval to treat symptoms of epilepsy and to aid in the prevention of migraine symptoms.

Glaxo-Smith-Kline, LLC

Glaxo-Smith-Kline, LLC (GSK) agreed to pay the states and federal government a total of \$600 million in damages and penalties, including \$321,925 to the D.C. Medicaid program, to

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resolve allegations that the company knowingly introduced adulterated drugs into interstate commerce. The government's complaint alleged that SB Pharmaco of Puerto Rico (SB), a GSK subsidiary, manufactured and distributed four products—Paxil CR, Avandamet, Kytril, and Bactroban—whose strength, purity, and/or quality fell below FDA standards. In addition to the GSK's civil resolution, SB pled guilty to a felony violation of the Federal Food, Drug, and Cosmetic Act, and agreed to pay \$150 million in criminal fines and forfeitures.

Allergan, Inc.

The District of Columbia joined the federal government and states to reach an agreement with Allergan, Inc. (Allergan) to settle allegations that the company engaged in a nationwide marketing campaign to promote its drug Botox for non-FDA approved uses, including treatment of headache, overactive bladder, and spasticity. As a result of this settlement, D.C. Medicaid received \$3,679 of a total global settlement of \$225 million.

Forest Pharmaceuticals, Inc.

The District of Columbia participated in a \$149 million global settlement with Forest Pharmaceuticals, Inc. (Forest), to resolve allegations that Forest knowingly promoted the sale and use of its drugs Celexa and Lexapro for children and adolescents suffering from depression, prior to approval for this use by the FDA. The government alleged that Forest's off-label promotion included directing its sales representatives to promote pediatric use of Celexa and Lexapro in sales calls to physicians who treated children and adolescents, and hiring outside speakers to talk to pediatric specialists about the benefits of prescribing the drugs to children and teenagers. The government further asserted that Forest used illegal kickbacks to induce physicians to prescribe Celexa and Lexapro off-label, including cash payments disguised as grants or consulting fees, expensive meals, and lavish entertainment. As a result of the settlement, the D.C. Medicaid program received \$96,736 in restitution.

Kos Pharmaceuticals, Inc.

Kos Pharmaceuticals, Inc. (Kos) agreed to pay the state Medicaid programs a total of \$9,477,567, of which D.C. Medicaid received almost \$11,000, to resolve allegations that the company engaged in kickback schemes and off-label marketing of its cholesterol treatment drugs Advicor and Niaspan. Both drugs had been approved as "second line therapy," to be prescribed only after lifestyle changes and other medications failed to lower overall cholesterol levels, but Kos allegedly marketed the drugs as a first line therapy to raise levels of HDL ("good" cholesterol) and lower levels of LDL ("bad" cholesterol).

Schwarz Pharma, Inc./Schwarz Pharma Manufacturing, Inc.

The District of Columbia Medicaid program received \$37,569 as part of a \$22 million global settlement with Schwarz Pharma, Inc. and Schwarz Pharma Manufacturing, Inc. (collectively, "Schwarz"), resolving allegations that the companies violated FDA regulations concerning the regulatory status of the drugs Deponit and Hyoscyamine Sulfate ER, and failed to notify the Centers for Medicare and Medicaid Services that the drugs no longer

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qualified for coverage under Medicaid. The government claimed that Schwarz caused false claims to be submitted to Medicaid for these drugs, neither of which ever received full regulatory approval for safety and effectiveness. As of the end of FY 2011, neither drug was on the market.

EMD Serono Pharmaceuticals, Inc.

The District of Columbia joined with other states and the federal government to settle allegations that from 2002 through 2009, EMD Serono Pharmaceuticals, Inc. (Serono) paid healthcare professionals for activities such as promotional speaking, attending speaker training, and attending advisory and consultant meetings, and that at least one purpose of the payments was to induce those professionals to prescribe the drug Rebif to their patients. Rebif is an interferon beta-1a drug used to treat relapsing forms of multiple sclerosis, a chronic autoimmune disease that attacks the central nervous system. Under the agreement, Serono agreed to pay the participating states and the United States \$44.3 million, plus interest, of which D.C. received \$24,341.

NovoNordisk, Inc.

The District of Columbia collaborated with the states and federal government to resolve allegations that from 2000 through 2010, NovoNordisk, Inc. (NovoNordisk) knowingly promoted its drug NovoSeven to physicians, other healthcare professionals, and certain military physicians within the U.S. Department of the Army for uses that were not approved by the FDA. The government alleged that although NovoSeven is approved only to treat certain bleeding disorders in hemophiliacs, patients with acquired hemophilia, or patients with congenital Factor VII deficiency, NovoNordisk promoted NovoSeven as a hemostatic agent that could stop bleeding in situations such as trauma, general surgery, cardiac surgery, liver surgery, liver transplants, and intra-cerebral hemorrhage. Pursuant to this agreement, the District of Columbia Medicaid program recovered \$5,000 of a total global settlement of \$25 million.

Elan Corporation PLC/Elan Pharmaceuticals, Inc. and Eisai, Inc.

Elan Corporation PLC and its U.S. subsidiary Elan Pharmaceuticals Inc. (collectively, “Elan”) reached an agreement with the state and federal governments to pay a total of \$102,890,517, including \$14,121 to D.C. Medicaid, to resolve civil allegations relating to the epilepsy drug Zonegran. According to the government’s complaint, Elan promoted Zonegran, through marketing efforts as well as kickbacks to physicians, for a wide variety of improper off-label uses, including mood stabilization for mania and bipolar disorder, migraine headaches, chronic daily headaches, eating disorders, obesity/weight loss, and seizures in children. Zonegran is FDA-approved only for treatment of partial epileptic seizures in adults over the age of 16.

In a related settlement, Eisai, Inc. (Eisai) agreed to pay the state and federal governments \$11 million to resolve allegations related to its April 2004 purchase of Zonegran, which included

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retaining the drug's sales force. While Eisai retrained the sales force and took some steps to stop illegal marketing of the drug, the governments contended that off-label marketing continued through 2005, and that Eisai benefited from Elan's previous improper activities. The District of Columbia's allocated portion of the settlement in this matter was \$2,288.

UCB, Inc.

The District of Columbia collaborated with the states and federal government to resolve allegations that UCB, Inc. (UCB) improperly promoted its epilepsy drug, Keppra, for off-label uses, including treatment of headache, migraine, pain, bipolar, mood disorders, and anxiety. The government alleged that by engaging in these activities, UCB caused claims to be submitted to the Medicaid program for indications that were not medically accepted and were, therefore, not covered. The Medicaid programs recovered a total of \$25.7 million pursuant to this settlement, \$44,851 of which was paid to D.C. Medicaid.

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."⁵ 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

⁵ D.C. Code §§ 22- 931 thru 936 (Supp. 2011).

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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 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 2011, the MFCU resolved a total of 10 matters involving crimes against persons. MFCU attorneys co-tried seven of these cases, five of which resulted in judgments of conviction. In addition, three matters were resolved with guilty pleas. Finally, the U.S. Court of Appeals affirmed the convictions of two defendants whom the MFCU prosecuted in FY 2010.

Abuse

The MFCU obtained five convictions in cases charging defendants with abuse, four after trial. One additional matter resulted in an acquittal.

United States v. Little

The defendant was employed by a residential provider for adults with cognitive disabilities. Witnesses who worked in the area where the assault occurred reported that the defendant used his hand to hit the victim on the head, shoulder, and hand. The Superior Court judge sentenced the defendant to 180 days in jail, with all but 90 days suspended, and 1 year of supervised probation; the judge also barred the defendant from working with the vulnerable population, and ordered him to attend anger management counseling and to pay \$50 toward the Victims of Violent Crime Compensation Act fund.

United States v. Holloman

In this case, a jury found an employee of a residential facility for adults with cognitive disabilities guilty of two counts of criminal abuse of a vulnerable adult and two counts of assault. Another employee witnessed the defendant hit a resident of the facility on the back of his head and neck with the buckle end of a belt, hit him on the back of his hand and on his ribs with an exercise hand grip, and stomp on his foot while wearing hard-soled shoes. The judge sentenced the defendant to 60 days in jail, with all but 7 days suspended, and 12 months of supervised probation. Additionally, the Court ordered her to pay \$100 toward the Victims of Violent Crime Compensation Act fund.

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United States v. Battle

The defendant was a driver for a transportation company. A witness saw the defendant and the victim, a person with cognitive disabilities, throwing a boot back and forth at each other; the defendant pulled the van over and punched the victim several times in the face and head areas, causing the victim to sustain bruises to the face and a laceration requiring three staples to the top of his skull. A Superior Court judge convicted the defendant of criminal abuse of a vulnerable adult, and sentenced him to 180 days in jail, all but 30 suspended, and 2 years of supervised probation. The judge also barred the defendant from working with vulnerable populations, required him to attend anger management counseling, and ordered him to pay \$50 toward the Victims of Violent Crime Compensation Act Fund.

United States v. Terrell

This defendant, a caregiver at the victim's residence for adults with cognitive disabilities, accused the victim of stealing his DVD movie. When the victim denied taking the movie, the defendant ordered him to go to his bedroom. The victim refused, and the defendant grabbed him by the arm and began to pull him down the hall. The victim fell, and the defendant dragged him to his bedroom, causing the victim to hit his head on a wall and sustain a scratch on the back of his neck. The defendant was convicted after trial of criminal abuse of a vulnerable adult; the judge sentenced him to the statutory maximum, 180 days imprisonment, and ordered him to pay \$50 to the Victims of Violent Crime Compensation Act fund.

United States v. Hancock

The defendant was a caregiver at the victim's residence, a facility for adults with cognitive disabilities. Two witnesses saw the defendant hit the victim on the back of the head as he attempted to cross a busy street. The victim was unable to testify due to his disability. A judge acquitted defendant of abuse, finding that the evidence did not establish the victim's status as a vulnerable adult.

United States v. Bintou

The defendant was employed by a residential provider for persons with cognitive and developmental disabilities. Another employee used his cell phone to videotape the defendant as she hit a resident in her care with her hand and shoe, then dragged him across the floor. The defendant pled guilty to one count of felony abuse of a vulnerable adult, and was sentenced to 12 months incarceration, all but 5 days suspended; 3 years of supervised release, suspended; and 1 year of supervised probation. The judge further ordered the defendant to pay a fine of \$100 to the Victims of Violent Crime Compensation Act fund.

Neglect

The MFCU resolved two cases in FY 2011 in which the defendants were charged with criminal neglect. MFCU attorneys co-tried both of these cases, with Assistant U.S. Attorneys, one of which resulted in a judgment of conviction.

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United States v. Tarpeh

The defendant, a certified nursing assistant at a residential care facility, was assigned to care for a resident who is paralyzed on her right side and unable to speak as a result of a stroke. While pushing the victim to a doctor's appointment in a wheelchair with no footrests, Tarpeh allowed the victim's shoeless foot to drag along the concrete sidewalk and asphalt street for the length of nearly three football fields. By the time they arrived at the appointment, the victim was screaming and moaning, and her right big toe had been abraded to the bone; the injury was so severe that amputation was required. After trial, a judge found the defendant guilty of criminal negligence and sentenced the defendant to 180 days in jail, with all but 21 days suspended, and 1 year of supervised probation. Additionally, the judge ordered the defendant not to work with vulnerable adults, to perform 100 hours of community service, and to pay \$100 toward the Victims of Violent Crime Compensation Act fund.

United States v. Scott

In this case, the defendant was driving the victim to a day program for adults with developmental disabilities, when she suddenly slammed on the brakes, causing the victim to fall from her seat. The victim hit her head on the back of the driver's seat, sustaining a gash to the forehead and a bruise on her left knee. The defendant pulled over, used a napkin to apply pressure to the victim's bleeding cut, and then dropped her at the day program. The defendant did not inform anyone of the victim's injuries or complete a written report of the incident, which was part of her job duties. A Superior Court judge acquitted the defendant of Criminal Neglect of a Vulnerable Adult, finding that while the defendant's actions were inappropriate, they did not rise to the level of criminal negligence.

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. Brewster

A participant in a day program for cognitively disabled adults reported to a staff member that the defendant, a maintenance worker at the facility, prevented her from leaving the women's restroom by holding the door closed, and forced her to perform sexual acts. The defendant pled guilty to one count of attempted first degree sexual abuse of a ward, and was sentenced to 5 years of probation, to include sexual offender evaluation and treatment if appropriate. The defendant was ordered to undergo drug testing, maintain verifiable employment, limit any contact with vulnerable adults, stay away from the victim and the day program she attends, and pay \$200 to 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.

ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT

Financial Exploitation

The MFCU also 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 prosecuted one theft case in FY 2011. The MFCU anticipates issuing a Management Alert Report (MAR, discussed below) in FY 2012 to address this widespread problem.

United States v. Ngouabou

The defendant in this case worked as a Home Health Aide in the home of a person with diabetes and kidney disease. Over the course of 6 months, the defendant stole approximately \$3,000 from the victim's wallet, which he kept on the nightstand. The victim realized that cash went missing during the defendant's shifts, so he set up a recording device and captured images of the defendant rifling through his wallet and removing money with one hand while she sponged his back with the other. The defendant pled guilty in Superior Court to one count each of attempted robbery and criminal neglect of a vulnerable adult. For the crime of attempted robbery, the defendant was sentenced to 18 months in prison, with all but 6 months suspended, and 3 years of supervised probation; for the crime of criminal neglect of a vulnerable adult, the defendant was sentenced to 180 days in prison consecutive to the 18 month sentence, with all days suspended, and 3 years of supervised probation to run concurrently with the felony probation. Additionally, the judge ordered the defendant not to work with vulnerable populations, and to pay \$3,000 toward the Victims of Violent Crime Compensation Act Fund.

Appeals

Two defendants convicted of criminal offenses in matters that the MFCU investigated and prosecuted prior to FY 2011 unsuccessfully appealed their convictions. This was the fourth consecutive year that MFCU-generated cases led to the development of case law in the area of abuse and neglect, or fraud.

United States vs. Salahmand

In this case, which was resolved in FY 2009, the defendant falsely represented that he was a medical doctor, thereby obtaining employment as a psychiatrist at eight different mental health clinics primarily serving children. Over the course of this scheme, the defendant

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forged the signatures of four different doctors in order to write prescriptions for controlled substances.

The defendant pled guilty to one count of identity theft. In determining the defendant's federal offense level for purposes of sentencing, the district court judge made an upward, 2-level adjustment because some of the defendant's patients were "vulnerable victims" under the U.S. Sentencing Guidelines (USSG).⁶ The judge then sentenced him to 13 months of imprisonment followed by 3 years of supervised release, and ordered him to pay approximately \$16,800 in restitution.

The defendant appealed the conviction, arguing that the court should have limited its sentencing guidelines calculation to the offense of conviction, i.e., identity theft, and should not have considered his conduct outside that conviction. The U.S. Court of Appeals disagreed, holding that the district court properly determined that the USSG 2-level adjustment for vulnerable victims applied to all victims of the defendant's relevant conduct.

United States v. Akhigbe

As we reported in 2008, the defendant in this case, a physician, billed Medicaid for patient visits and surgical procedures that never took place. He was convicted after a jury trial of 1 count of healthcare fraud and 16 counts of making false statements relating to healthcare matters. The District Court judge sentenced him to 53 months of imprisonment after trial, an upward departure from the USSG range of 33 to 41 months.

The defendant appealed his conviction on the basis of alleged trial errors; he also appealed his sentence as procedurally unreasonable. The U.S. Court of Appeals affirmed the defendant's conviction. However, the court vacated the sentence, holding that the court erred by failing to adequately explain its USSG departure. The Court of Appeals remanded the matter to the trial court for resentencing, which will take place in early FY 2012.

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 2011, the MFCU issued a MAR to the Director of the Department of Health Care Finance addressing durable medical equipment billing practices.

⁶ See USSG § 3A1.1(b)(1).

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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 2011, the MFCU received 2,837 unusual incident reports ranging from reports of changes in condition of residents of nursing homes, to allegations of serious assaults. In addition, MFCU staff assessed 169 reports, complaints or referrals.

The MFCU performance-based budget goal was to resolve 20 cases in FY 2011. The MFCU exceeded that goal by resolving 27 matters. The MFCU is currently investigating over 202 matters (exclusive of the more than 300 *qui tam* matters previously mentioned), 115 of which are fraud, 78 relate to allegations of abuse or neglect, and 9 involve allegations of theft of funds or property. Of the investigations the MFCU initiated in FY 2011, 47 involved allegations of provider fraud, 106 were the result of reports of abuse or neglect, and 16 were funds-related. In FY 2011, the MFCU recouped \$2,449,073 in civil and criminal fraud settlements, thereby generating more than \$3 for every District dollar of funding.

The MFCU's performance measures for 2011 are shown in Appendix O. A comparison of the MFCU's FY 2010 and FY 2011 performance statistics is detailed in Appendix P.

CONCLUSION

In FY 2011, the MFCU processed 3,006 incoming unusual incident reports, complaints, or referrals, initiated 169 investigations and closed 124 matters. Through trial or settlement, the MFCU attained 27 substantive dispositions of outstanding fraud, abuse, neglect, and sexual assault cases, significantly surpassing its goal. The MFCU resolved 11 criminal matters and referred another to the IRS for resolution. MFCU also recovered substantial monies in restitution to the Medicaid program through participation in 1 criminal and 14 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 2012, 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.

APPENDICES

**FISCAL YEAR 2011 TESTIMONY
BY THE INSPECTOR GENERAL**

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 2011.

April 20, 2011	Testimony Before the Committee on Government Operations and the Environment – Fiscal Year 2012 Budget Review
March 28, 2011	Testimony Before the Committee on Government Operations and the Environment – Public Oversight Roundtable on the Executive’s Personnel Practices
February 22, 2011	Testimony Before the Committee on Government Operations and the Environment – Fiscal Year 2010 Performance Oversight Hearing
February 8, 2011	Testimony Before the Committee of the Whole – Issuance of the Comprehensive Annual Financial Report for Fiscal Year 2010

FISCAL YEAR 2011 PRESS HIGHLIGHTS

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

“D.C. probing alleged embezzlement at city agency”
October 23, 2010 (WP)

“Former Medicaid Transportation Provider Sentenced for False Statement on
Claims For Services”
October 27, 2010 (DOJ Press Release)

“Former Caregiver Is Sentenced For Attempted Robbery and Negligence”
November 3, 2010 (DOJ Press Release)

“Former Caregiver Is Sentenced For Abuse”
November 8, 2010 (DOJ Press Release)

“Former Boxer Keely Thompson Charged With Fraudulently Spending \$500,000 in D.C.
Anti-Gang Funds”
November 19, 2010 (WP)

“GlaxoSmithKline To Pay \$750 Million Dollars To Settle Allegations Of Selling
Adulterated Drugs”
November 26, 2010 (OIG Press Release)

“Postal workers behaving badly”
December 12, 2010 (WP)

“Former Caregiver Is Sentenced For Assault”
December 8, 2010 (DOJ Press Release)

“D.C. firefighter paid \$140,000+ to stay home”
December 8, 2010 (Examiner)

References: *The Washington Post* – **WP** · *The Washington Times* – **WT** · *The Washington Examiner* – **Examiner** · United States Department of Justice – **DOJ** · *The Washington Business Journal* – **WBJ** · WTTG Fox 5/News Corporation – **MYFOXDC.COM** · *The Washington City Paper* – **WCP** · WUSA9/Gannett – **WUSA9** · USA TODAY/Gannett – **USA TODAY** · WTOP and Bonneville International Corporation – **WTOP**

FISCAL YEAR 2011 PRESS HIGHLIGHTS

“Fallout Over Suspended DC Firefighter on Paid Administrative Leave”
December 8, 2010 (Fox 5 News)

“D.C. car collects 8 parking tickets after being reported stolen”
December 11, 2010 (Examiner)

“D.C. firefighter charged in CPR fraud case”
December 16, 2010 (Examiner)

“Audit costs D.C. firm, saves taxpayers \$400K”
December 27, 2010 (WBJ)

“Former Caregiver Is Sentenced For Criminal Abuse Of A Vulnerable Adult and Assault”
January 12, 2011 (DOJ Press Release)

“Former Parks Director Scolded by IG”
January 26, 2011 (WCP)

“District Man Sentenced For Sexually Assaulting Cognitively Disabled Client at Workplace”
February 2, 2011 (DOJ Press Release)

“D.C. Council Vindicated”
February 5, 2011 (Examiner)

“Certified Nursing Assistant Sentenced to Jail Term for Criminal Negligence”
February 7, 2011 (DOJ Press Release)

“D.C. probes credit card purchases by city insurance department”
February 14, 2011 (WP)

“Former Transportation Driver Is Sentenced For Criminal Abuse Of A Vulnerable Adult”
February 15, 2011 (DOJ Press Release)

References: *The Washington Post* – **WP** · *The Washington Times* – **WT** · *The Washington Examiner* – **Examiner** · United States Department of Justice – **DOJ** · *The Washington Business Journal* – **WBJ** · WTTG Fox 5/News Corporation – **MYFOXDC.COM** · *The Washington City Paper* – **WCP** · WUSA9/Gannett – **WUSA9** · USA TODAY/Gannett – **USA TODAY** · WTOP and Bonneville International Corporation – **WTOP**

FISCAL YEAR 2011 PRESS HIGHLIGHTS

“Official: D.C. unemployment office workers untrained”
February 17, 2011 (Examiner)

“Va. Nurse’s aide convicted in toe-amputation case still is certified”
February 23, 2011 (WT)

“Lots of Love From Gray for IG”
March 7, 2011 (WCP)

“DC Inspector General Recuses Office In Gray-Brown Investigation”
March 9, 2011 (WUSA9)

“For Mayor Gray, a needed probe of hiring and a chance to mend credibility”
March 11, 2011 (WP)

“Inspector general official facing multiple fraud charges”
March 16, 2011 (Examiner)

“Official says Gray’s top aide pushed job interview”
March 28, 2011 (Examiner)

“Henderson Asks Inspector General To Investigate Test Erasures”
March 29, 2011 (WP)

“D.C. to dig deeper on test score irregularities”
March 29, 2011 (USA TODAY)

“District Officials Violated City Regs With Fire Truck Donation”
April 26, 2011 (Examiner)

“D.C.’s child welfare system leaves kids at risk”
April 28, 2011 (Examiner)

References: *The Washington Post* – **WP** · *The Washington Times* – **WT** · *The Washington Examiner* – **Examiner** · United States Department of Justice – **DOJ** · *The Washington Business Journal* – **WBJ** · WTTG Fox 5/News Corporation – **MYFOXDC.COM** · *The Washington City Paper* – **WCP** · WUSA9/Gannett – **WUSA9** · USA TODAY/Gannett – **USA TODAY** · WTOP and Bonneville International Corporation – **WTOP** ·

FISCAL YEAR 2011 PRESS HIGHLIGHTS

“Scrutiny growing of D.C. alcohol board chairman”
May 5, 2011 (Examiner)

“D.C.’s child family services director resigns”
May 9, 2011 (Examiner)

“EXAMINER EXCLUSIVE: D.C. alcohol board chairman resigns”
May 27, 2011 (Examiner)

“SERIOUS AS A HEART ATTACK”
June 9, 2011 (WP)

“D.C. report: Charlie Sheen police escort ‘routine’”
July 13, 2011 (WTOP)

“IG report ratchets up D.C. police leadership battle”
July 18, 2011 (Examiner)

“Investigate This”
July 21, 2011 (WCP)

“Former Caregiver is Sentenced for Abuse”
July 25, 2011 (DOJ Press Release)

“Audit slams D.C.’s HIV/AIDS grant program”
August 9, 2011 (Examiner)

“D.C. IG asked to investigate collection of multi-million dollar real estate tax”
August 30, 2011 (Examiner)

“Evans pushing for investigation into passage of internet gambling in D.C.”
September 6, 2011 (Examiner)

References: *The Washington Post* – **WP** · *The Washington Times* – **WT** · *The Washington Examiner* – **Examiner** · United States Department of Justice – **DOJ** · *The Washington Business Journal* – **WBJ** · WTTG Fox 5/News Corporation – **MYFOXDC.COM** · *The Washington City Paper* – **WCP** · WUSA9/Gannett – **WUSA9** · USA TODAY/Gannett – **USA TODAY** · WTOP and Bonneville International Corporation – **WTOP**

FISCAL YEAR 2011 PRESS HIGHLIGHTS

‘D.C. auditors eye contract pricing, management in 2012’
September 6, 2011 (WBJ)

“D.C. panel measures cop’s worth against cost of treatment”
September 15, 2011 (Examiner)

“Auditor seeks D.C. inspector general’s probe of Citizens’ Advisory Council chair”
September 19, 2011 (WT)

‘Trouble for Mayor’s \$80k-a-year 9/11 Celebrator’
September 20, 2011 (WCP)

“D.C. unemployment official fired amid ongoing probes”
September 20, 2011 (WT)

“Second Worker Identified In DC Employment Office Scam”
September 26, 2011 (WUSA9)

“D.C. fires second employee at DOES”
September 22, 2011 (WT)

“D.C. inspector general objects to inclusion in ethics task force”
September 28, 2011 (WP)

“IG probe subject wins post in Ward 5”
September 27, 2011 (WT)

References: *The Washington Post* – **WP** · *The Washington Times* – **WT** · *The Washington Examiner* – **Examiner** · United States Department of Justice – **DOJ** · *The Washington Business Journal* – **WBJ** · WTTG Fox 5/News Corporation – **MYFOXDC.COM** · *The Washington City Paper* – **WCP** · WUSA9/Gannett – **WUSA9** · USA TODAY/Gannett – **USA TODAY** · WTOP and Bonneville International Corporation – **WTOP**

**FISCAL YEAR 2011 AUDIT DIVISION
PERFORMANCE MEASURE STATISTICS**

Activity	FY 2011 Target	FY 2011 Actual
Final Audit Reports Issued	28	29
District agencies provided with audit coverage/presence	25%	34%
Potential monetary benefits identified by OIG audits	\$25.8 Million	\$28.2 Million

FISCAL YEAR 2011 AUDIT COVERAGE

No	Code	Agency/Office
1	AA	Executive Office of the Mayor
2	AB	Council of the District of Columbia
3	AM	Department of General Services
4	AT	Office of the Chief Financial Officer
5	BH	District of Columbia Unemployment Compensation Fund
6	BY	D. C. Office on Aging
7	CB	Office of the Attorney General for the District of Columbia
8	CF	Department of Employment Services
9	CR	Department of Consumer and Regulatory Affairs
10	DB	Department of Housing and Community Development
11	DC	D. C. Lottery and Charitable Games Control Board
12	ES	Washington Convention Center Authority
13	GA	District of Columbia Public Schools
14	GG	University of the District of Columbia
15	GM	Office of Public Education Facilities Modernization
16	HC	Department of Health
17	HT	Department of Health Care Finance
18	HW	Not-for-Profit Hospital Corporation
19	KA	Department of Transportation
20	KC	Washington Metropolitan Area Transit Commission
21	PO	Office of Contracting and Procurement
22	SC	D. C. Sports and Entertainment Commission
23	TO	Office of the Chief Technology Officer
24	UC	Office of Unified Communications

FISCAL YEAR 2011 AUDIT COST AND RECOMMENDATION STATISTICS

	Audit Title, Number, Date Issued	Recommendations		
		Cost ¹	Made	Status ²
1	Office of the Attorney General Antifraud Fund Financial Statement Audit for the Fiscal Year Ended September 30, 2009, OIG No. 10-1-18CB, November 10, 2010	\$23,772	0	
2	Report on the Contract for the Inventory of the Capital Assets of the District of Columbia, OIG No. 08-1-26AT(a), December 16, 2010	\$148,573	1	1 - Closed
3	Home Purchase Assistance Program Financial Statement Audit and Report on Internal Control Over Financial Reporting and Compliance for the Year Ended September 30, 2009 (With Independent Auditor's Report Thereon), OIG No. 11-1-02DB & 11-1-02DB(a), January 31, 2011	\$40,952	1	1 - Closed
4	Washington Metropolitan Area Transit Commission Financial Audit for the Fiscal Year Ended June 30, 2009, OIG No. 10-1-05KC, January 31, 2011	\$61,691	0	
5	District Department of Transportation's Highway Trust Fund Financial Statement Audit for the Fiscal Year Ended September 30, 2010, OIG No. 10-1-21KA, February 1, 2011	\$107,105	0	
6	Comprehensive Annual Financial Report of the Government of the District of Columbia for the Fiscal Year Ended September 30, 2010, OIG No. 11-1-07MA, February 4, 2011	\$1,211,876	7	7 - Closed
7	District of Columbia, Independent Auditors' Report on Internal Control and Compliance Over Financial Reporting, Fiscal Year Ended September 30, 2010, OIG No. 11-1-06MA, February 11, 2011			
8	University of the District of Columbia, Financial Statements and Management's Discussion and Analysis (With Independent Auditors' Reports Thereon) Fiscal Year Ended September 30, 2010, and 2009, OIG No. 11-1-13GG, March 28, 2011	Included in cost of Audit #12 below	0	
9	Washington Convention and Sports Authority, Financial Statements and Management's Discussion and Analysis, and Independent Auditors' Report, Fiscal Year Ended September 30, 2010, OIG No. 11-1-14ES, March 30, 2011	Included in cost of Audit #10 below	0	

FISCAL YEAR 2011 AUDIT COST AND RECOMMENDATION STATISTICS

	Audit Title, Number, Date Issued	Recommendations		
		Cost ¹	Made	Status ²
10	Washington Convention and Sports Authority, Report of Internal Control Over Financial Reporting and on Compliance and Other Matters, Fiscal Year Ended September 30, 2010, OIG No. 11-1-14ES(a), March 30, 2011	\$93,325	0	
11	District of Columbia, Unemployment Compensation Fund, Financial Statements and Management's Discussion and Analysis (With Independent Auditors' Report Thereon), Year Ended September 30, 2010, and 2009, OIG No. 11-1-12BH, April 1, 2011	\$34,467	6	6 - Closed
12	University of the District of Columbia, Report on Internal Control Over Financial Reporting and on Compliance and Other Matters, Fiscal Year Ended September 30, 2010, OIG No. 11-1-13GG(a), April 1, 2011	\$320,511	6	6 - Closed
13	District of Columbia Memorandum of Recommendations for Fiscal Year Ended September 30, 2010, OIG No. 11-1-19MA, May 26, 2011	Included in cost of CAFR	107	107 - Closed
14	District of Columbia, Public Schools Annual Budgetary Comparison Schedule, Government Funds and Supplemental Information, Fiscal Year Ended September 30, 2010, OIG No. 11-1-17GA, May 26, 2011	\$233,109	0	
15	District of Columbia, Not-For-Profit Hospital Corporation, d/b/a United Medical Center Financial Performance for the Period July 9, 2010 (Date of Inception) to September 30, 2010, OIG No. 11-1-16HW, May 26, 2011	\$208,008	0	
16	District Department of Transportation, Report on the Examination of the District of Columbia's Highway Trust Fund Forecast Statements for Fiscal Years 2011-2015 with Actual Audited Figures for Fiscal Year 2010, OIG No. 10-1-21KA(a), May 31, 2011	\$16,676	0	
17	District of Columbia's Annuitants' Health and Life Insurance Employer Contribution Trust Fund, Financial Statements With Independent Auditors' Report, Fiscal Year Ended September 30, 2010, OIG No. 11-1-23MA, June 1, 2011	\$57,566	0	

FISCAL YEAR 2011 AUDIT COST AND RECOMMENDATION STATISTICS

	Audit Title, Number, Date Issued	Recommendations		
		Cost ¹	Made	Status ²
18	District of Columbia's E911/E311 Special Revenue Fund, Financial Statements With Independent Auditors' Report for Fiscal Year Ended September 30, 2010, OIG No. 11-1-22UC, June 9, 2011	\$78,828	0	
19	District of Columbia's Lottery and Charitable Games Control Board, Financial Statements and Management's Discussion and Analysis (With Independent Auditors' Report Thereon), Fiscal Year Ended September 30, 2010, OIG No. 11-1-21DC, June 9, 2011	\$95,498	0	
20	Home Purchase Assistance Program, Financial Statements Audit for the Fiscal Year Ended September 30, 2010 With Independent Auditor's Report, OIG No. 11-1-25DB, June 21, 2011	\$45,456	0	
21	Audit of the Procurement Activities at the Office of Public Education Facilities Modernization, OIG No. 09-2-28GM, June 29, 2011	\$234,035	9	7 - Closed 2 - Open
22	Management Implication Report on Deficiency in the District's Hiring Process, OIG No. MIR 11-A-01, June 30, 2011	\$10,777	0	
23	Audit of the Information Technology Staff Augmentation Contract, OIG No. 10-1-19TO, August 3, 2011	\$78,544	10	2 - Closed 8 - Open
24	Audit of the Department of Health's HIV/AIDS Hepatitis STD TB Administration's (HAHSTA) Management and Administration of Hill's Community Residential Support Services, Inc. Grant, OIG No. 09-2-37HC, August 4, 2011	\$78,145	6	6 - Open
25	D.C. Office of the Attorney General's Antifraud Fund Financial Statement Audit for the Fiscal Year Ended September 30, 2010, OIG No. 11-1-10CB, August 26, 2011	\$32,775	0	
26	Audit of the Office of Contracting and Procurement's Contracting Officer Qualifications, OIG No. 09-2-20PO, September 22, 2011	\$61,647	3	3 - Open

FISCAL YEAR 2011 AUDIT COST AND RECOMMENDATION STATISTICS

	Audit Title, Number, Date Issued	Recommendations		
		Cost ¹	Made	Status ²
27	Audit of the District-Owned Nursing Homes, the Washington Center for Aging Services, and the J.B. Johnson Nursing Center, OIG No. 10-1-02BY/HT, September 23, 2011	\$88,877	9	5 - Closed 4 - Open
28	District of Columbia Professional Engineers' Fund (PEF) Financial Statement Audit for the Fiscal Year Ended September 30, 2010, OIG No. 11-1-09CR, September 26, 2011	\$45,636	0	
29	Audit of the Hawk One Security Incorporated Citywide Guard Services Contract, OIG No. 09-2-07PO, September 27, 2011	\$152,165	7	2 - Closed 5 - Open
	Totals	\$3,560,014	172	Closed – 144 Open -- 28

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

² This column provides the status of a recommendation as of September 30, 2011. 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. "**Unresolved**" means that management has neither agreed to take the recommended action nor proposed satisfactory alternative actions to correct the condition.

FISCAL YEAR 2011 AUDIT REPORT SUMMARIES

Office of the Attorney General Antifraud Fund Financial Statement Audit for the Fiscal Year Ended September 30, 2009, OIG No. 10-1-18CB, November 10, 2010

The OIG opined that the financial statements present fairly, in all material respects, the financial position of the Fund for the year ended September 30, 2009, in conformity with accounting principles generally accepted in the United States of America. In accordance with *Government Accounting Standards*, this Office also issued its report on consideration of the Fund's internal control over financial reporting and on its tests of the Fund's compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters.

Report on the Contract for the Inventory of the Capital Assets of the District of Columbia, OIG No. 08-1-26AT(a), December 16, 2010

This report resulted from a review of one of the contracts included in our audit of Contracting and Procurement Operations of the Office of the Chief Financial Officer (OIG Project No. 08-1-26AT). The contract selection and award process for the FY 2008 inventory of capital assets did not comply with the District's procurement regulations. The source selection team that performed the technical review did not provide any documentation to support its conclusions regarding the two proposals it found to be nonresponsive. Also, the contracting officer failed to perform a detailed price analysis to determine price reasonableness, even though the contractor selected for award submitted a bid price that was more than double the price bid by the other two contractors. In addition, the two low bid contractors both specialized in inventory services, with one having performed inventories for major corporations on a world-wide scale, and the other being SAS 70 Type II certified, while the winning contractor possessed neither of these qualifications.

Home Purchase Assistance Program (HPAP) Financial Statement Audit and Report on Internal Control Over Financial Reporting and Compliance for the Year Ended September 30, 2009 (With Independent Auditor's Report Thereon) OIG No. 11-1-02DB & 11-1-02DB(a), January 31, 2011

The Independent Auditor's report on HPAP opined that the financial statements present fairly, in all material respects, the financial position of the HPAP as of September 30, 2009, and the results of its operations for the year then ended. Additionally, RAFFA (the Independent Auditor) issued a report on consideration of the HPAP's internal control over financial reporting and compliance with laws, regulations, contracts, and grant agreements. This audit was conducted by contract under the purview of the OIG.

FISCAL YEAR 2011 AUDIT REPORT SUMMARIES

Washington Metropolitan Area Transit Commission Financial Audit for the Fiscal Year Ended June 30, 2009, OIG No. 10-1-05KC, January 31, 2011

The OIG opined that the financial statements present fairly, in all material respects, in conformity with generally accepted accounting principles, the Commission's assets and liabilities as of June 30, 2009, and its revenues, expenditures, and changes in fund balance for the year then ended.

District Department of Transportation's Highway Trust Fund Financial Statement Audit for the Fiscal Year Ended September 30, 2010, OIG No. 10-1-21KA, February 1, 2011

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, 2010, and its revenues, expenditures, and changes in fund balance for the year then ended.

Comprehensive Annual Financial Report of the Government of the District of Columbia for the Fiscal Year Ended September 30, 2010, OIG No. 11-1-07MA, February 4, 2011

On January 27, 2011, as part of the CAFR, KPMG LLP issued its opinion on the District of Columbia's financial statements for the fiscal year ended September 30, 2010. The financial statements received an unqualified or "clean" opinion from KPMG LLP. This is the 14th consecutive year the District has earned an unqualified audit opinion.

District of Columbia, Independent Auditors' Report on Internal Control and Compliance Over Financial Reporting, Fiscal Year Ended September 30, 2010, OIG No. 11-1-06MA, February 11, 2011

In connection with the audit of the District of Columbia's general purpose financial statements for fiscal year 2010, KPMG LLP submitted its *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters*. This report identifies five 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; (2) Procurement and Disbursement Controls; (3) Monitoring Financial Reporting and Non-Routine Transactions in Stand-Alone Reports; (4) Financial Reporting Process at the Office of Tax and Revenue; and (5) Personnel Management and Employee Compensation Process.

FISCAL YEAR 2011 AUDIT REPORT SUMMARIES

University of the District of Columbia, Financial Statements and Management's Discussion and Analysis (With Independent Auditors' Reports Thereon) Fiscal Year Ended September 30, 2010, and 2009, OIG No. 11-1-13GG, March 28, 2011

KPMG LLP opined that the basic financial statements present fairly, in all material respects, the financial position of UDC for the year ended September 30, 2010, and the changes in net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Washington Convention and Sports Authority, Financial Statements and Management's Discussion and Analysis, and Independent Auditors' Report, Fiscal Year Ended September 30, 2010, OIG No. 11-1-14ES, March 30, 2011

On October 1, 2009, the Washington Convention Center Authority and the Sports and Entertainment Commission merged to form the Washington Convention and Sports Authority (Authority). KPMG LLP opined that the financial statements present fairly, in all material respects, the financial position of the Authority for the year ended September 30, 2010, and the changes in its financial position and its cash flows thereof for the year 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, Fiscal Year Ended September 30, 2010, OIG No. 11-1-14ES(a), March 30, 2011

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. This report did not identify any deficiencies in internal control over financial reporting and compliance considered to be material weaknesses as identified above.

District of Columbia, Unemployment Compensation Fund, Financial Statements and Management's Discussion and Analysis (With Independent Auditors' Report Thereon), Year Ended September 30, 2010, and 2009, OIG No. 11-1-12BH, April 1, 2011

KPMG LLP opined that the financial statements present fairly, in all material respects, the financial position and cash flows of the Fund, for the years ended September 30, 2010, and the changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles. In accordance with *Government Accounting Standards*, KPMG LLP also issued its report on consideration of the Fund's internal control over financial reporting, which identified two material weaknesses: (1) lack of effective controls over financial reporting; and (2) ineffective general information technology controls. A

FISCAL YEAR 2011 AUDIT REPORT SUMMARIES

material weakness is a deficiency, or a 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. As indicated in KPMG LLP's report, the D.C. Department of Employment Services generally concurred with the findings and recommendations, and has taken corrective action.

University of the District of Columbia, Report on Internal Control Over Financial Reporting and on Compliance and Other Matters, Fiscal Year Ended September 30, 2010, OIG No. 11-1-13GG(a), April 1, 2011

This report identified deficiencies in internal control over financial reporting and compliance with investment policy considered to be material weaknesses. 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. This report also identified a lack of monitoring of third-party servicers and certain payroll transactions as significant deficiencies. A significant deficiency adversely affects the District's ability to initiate, authorize, record, process, and report financial data.

KPMG LLP set forth recommendations for correcting the identified internal control weaknesses and UDC management responses were noted. In some cases, corrective action had already been taken to remedy the noted deficiencies. UDC management concurred with all findings and recommendations.

District of Columbia Memorandum of Recommendations for Fiscal Year Ended September 30, 2010, OIG No. 11-1-19MA, May 26, 2011

In connection with the audit of the District of Columbia's general purpose financial statements for FY 2010, KPMG LLP submitted a Memorandum of Recommendations, known in previous years as the Management Letter. This report sets forth KPMG LLP's comments and recommendations to improve internal control and other operating efficiencies.

District of Columbia, Public Schools Annual Budgetary Comparison Schedule, Government Funds and Supplemental Information, Fiscal Year Ended September 30, 2010, OIG No. 11-1-17GA, May 26, 2011

As part of our contract for the audit of the District of Columbia's general purpose financial statements for FY 2010, KPMG LLP submitted its report on the District of Columbia Public Schools (DCPS) Budgetary Comparison Schedule – Governmental Funds and accompanying independent auditors' report for the year ended September 30, 2010. KPMG LLP opined that the Schedule presents fairly, in all material respects, the financial position of the original

FISCAL YEAR 2011 AUDIT REPORT SUMMARIES

budget, final budget and actual revenues, expenditures, and other sources/uses of DCPS's 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, 2010, in conformity with U.S. generally accepted accounting principles.

District of Columbia, Not-For-Profit Hospital Corporation, d/b/a United Medical Center Financial Performance for the Period July 9, 2010 (Date of Inception) to September 30, 2010, OIG No. 11-1-16HW, May 26, 2011

KPMG LLP opined that the financial statements present fairly, in all material respects, the financial position of the Not-for-Profit Hospital Corporation as of September 30, 2010, and the results of its operations and its cash flows for the period from July 9, 2010, to September 30, 2010, in conformity with U.S. generally accepted accounting principles.

District Department of Transportation, Report on the Examination of the District of Columbia's Highway Trust Fund Forecast Statements for Fiscal Years 2011-2015 With Actual Audited Figures for Fiscal Year 2010, OIG No. 10-1-21KA(a), May 31, 2011

The OIG completed an examination of the District of Columbia Highway Trust Fund's 5-year forecast of expenditure conditions and operations. The District Department of Transportation and the OCFO administer the Highway Trust Fund for the District of Columbia government and are responsible for preparing the forecast. Our examination included a review of existing processes, policies, and controls for the purpose of expressing an opinion on the accompanying forecasted statements. Although we found no instances of noncompliance that would be reportable under generally accepted government auditing standards, the objective of our review was not to provide an opinion on overall compliance with such provisions.

In our opinion, the forecasted statements were 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 provided a reasonable basis for the forecast.

District of Columbia's Annuitants' Health and Life Insurance Employer Contribution Trust Fund, Financial Statements With Independent Auditors' Report, Fiscal Year Ended September 30, 2010, OIG No. 11-1-23MA, June 1, 2011

KPMG LLP opined that the financial statements present fairly, in all material respects, the respective plan net assets and the changes in plan net assets for the year ended September 30, 2010, in conformity with accounting principles generally accepted in the United States of America. In accordance with *Government Accounting Standards*, KPMG LLP also issued its

FISCAL YEAR 2011 AUDIT REPORT SUMMARIES

report on consideration of the Fund's internal control over financial reporting and on its tests of the Fund's compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters.

District of Columbia's E911/E311 Special Revenue Fund, Financial Statements With Independent Auditors' Report for Fiscal Year Ended September 30, 2010, OIG No. 11-1-22UC, June 9, 2011

Bert Smith and Company (BS&C) opined that the financial statements present fairly, in all material respects, the financial position and the changes in the financial position for the year ended September 30, 2010, 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 Fund's internal control over financial reporting and on its tests of the Fund's compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters.

District of Columbia's Lottery and Charitable Games Control Board, Financial Statements and Management's Discussion and Analysis (With Independent Auditors' Report Thereon), Fiscal Year Ended September 30, 2010, OIG No. 11-1-21DC, June 9, 2011

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, 2010, 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 has 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.

Home Purchase Assistance Program (HPAP), Financial Statements Audit for the Fiscal Year Ended September 30, 2010, with Independent Auditor's Report, OIG No. 11-1-25DB, June 21, 2011

BS&C opined that the financial statements present fairly, in all material respects, the financial position of the HPAP as of September 30, 2010, and the changes in the financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Additionally, BS&C issued a report on consideration of the HPAP's internal control over financial reporting and on its tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements.

FISCAL YEAR 2011 AUDIT REPORT SUMMARIES

Audit of the Procurement Activities at the Office of Public Education Facilities Modernization (OPEFM), OIG No. 09-2-28GM, June 29, 2011

This report contains five findings that detail the conditions found during our audit. In our first finding, we disclosed that OPEFM does not have finalized procurement rules. The Public Education Reform Amendment Act of 2007 granted OPEFM independent procurement authority, but required the agency to promulgate rules to implement its authority. The absence of finalized procurement rules increases the risk that operational practices will not be consistent with program objectives.

Our second finding revealed that the emergency procurement rules adopted by OPEFM on August 10, 2007, did not contain necessary provisions and contained provisions that were not consistent with existing procurement laws. For example, OPEFM's emergency procurement rules stated that the OPEFM Director makes the final decision for protests; however, the Contract Appeals Board is authorized to make the final decision. As a result, the District's interests may not be adequately protected and OPEFM's procurement rules could be misleading to contractors protesting contract awards made by OPEFM.

Our third finding addressed OPEFM's improper use of the District of Columbia Supply Schedule (DCSS). OPEFM did not obtain the required number of quotations prior to selecting a contractor on the DCSS to provide legal and procurement consulting services. In addition, OPEFM circumvented procurement laws by utilizing the services of the contractor after the DCSS contract expired and allowing the contractor to perform work without a written agreement. As a result, OPEFM may not have received the best value for legal and procurement consulting services.

In our fourth finding, we discussed the apparent conflict of interest for an attorney who is a partner at a law firm that drafts solicitations and contracts for OPEFM. This attorney is also the son-in-law of an executive at one of the construction companies that is an OPEFM contractor. As a result, there is an appearance that this construction company has an unfair advantage over other construction companies and that there is not full and open competition.

Our last finding revealed that the Executive Director of OPEFM hired his Chief of Staff as a contractor instead of a government employee. We have four concerns with this arrangement. First, OPEFM allowed the Chief of Staff to provide services without a written contract. Secondly, the Chief of Staff - who was hired on a sole-source basis - performed an inherent government function. Further, the Chief of Staff supervised government employees, which is counter to normal District practices. Lastly, the Chief of Staff was eligible to receive bonuses at the time when the District government is faced with budget shortfalls and employees are prohibited from receiving bonuses.

FISCAL YEAR 2011 AUDIT REPORT SUMMARIES

We directed eight recommendations to the Executive Director for the OPEFM, and one recommendation to the Chief Procurement Officer, OCP, that we believe are necessary to correct the deficiencies noted in this report.

Management Implication Report on Deficiency in the District's Hiring Process, OIG No. MIR 11-A-01, June 30, 2011

The OIG issued this MIR to advise the Mayor of an internal control weakness involving the hiring process for District government employees. The OIG discovered this weakness during our Audit of Contracting Officer Qualifications (OIG No. 09-2-20PO) at the Office of Contracting and Procurement (OCP). Specifically, we noted that the District Personnel Manual (DPM) did not authorize District of Columbia Department of Human Resources (DCHR) officials to require pre-employment criminal background checks for contracting officer (CO) applicants at OCP. COs are responsible for procuring goods and services for the District government that total over \$1 billion annually.

We also noted that the DPM did not authorize DCHR officials to require criminal background checks for many sensitive and high risk positions, such as those responsible for the health, safety, and welfare of the general public, including positions that involve handling cash, awarding grants, and receipt of cash donations. However, the DPM does provide DCHR officials' authority to determine which positions in the District government have duties that would require an applicant to undergo a mandatory criminal background check.

The OIG considers this issue to be an internal control deficiency in the District's hiring process that poses a significant risk for fraud, waste, and abuse. Therefore, we recommended the issuance of a Mayor's directive to District subordinate agency heads that requires each to identify sensitive and high risk positions and to consult with DCHR to implement mandatory criminal background checks for those positions.

Audit of the Information Technology Staff Augmentation (ITSA) Contract, OIG No. 10-1-19TO, August 3, 2011

The OIG Audit Division completed its Audit of the ITSA Contract No. DCTO-2008-C-0135. On August 19, 2008, OCP awarded an indefinite delivery/indefinite quantity (IDIQ) contract to Optimal Solutions and Technologies Incorporated (OST) on behalf of the Office of the Chief Technology Officer (OCTO) to provide information technology (IT) services. The contract spans 1 year, but allows the District to extend the term for 4 additional years via an option clause. Pursuant to the contract, the District is required to order at least \$100,000 (and no more than \$150 million) in services each contract period.

FISCAL YEAR 2011 AUDIT REPORT SUMMARIES

Our audit disclosed that OCP contracting officials did not comply with all Title 27 DCMR provisions related to the award of the ITSA contract. Specifically, OCP did not: determine in writing that the use of a contract for services, rather than the use of District employees, is substantially more economical and feasible; accept the best and final offer rate (at a lower cost to the District) for hourly service fees proposed by the contractor; determine cost reasonableness for a contract awarded over \$500,000; and provide adequate justification to modify the ITSA hourly service fee from a tiered pricing structure to a flat fixed fee when exercising the first option year.

We discussed these conditions with OCP contracting officials who indicated that: (1) managing the contracted services in-house was not feasible; (2) the proposed, lower hourly service fee rate was inadequate for OST to provide the required services; (3) a cost analysis was unnecessary and redundant; and (4) the District grossly overestimated its requirements (hours) during the request for proposal process. In addition, OCP contracting officials did not include the requirement of 1% sales discount revenue in the ITSA contract terms and conditions when awarding the contract. OCP officials informed us that the requirement was omitted because the District would have difficulty recapturing the fee from the vendor.

As a result, the District's excess cost of using this contract for services (rather than District employees) may be as much as \$7 million over the 5-year contract period. OCP also awarded the contract for a higher contract price than proposed, which will result in additional expenditures of about \$1.9 million over the same period. Further, OCP did not determine that OST's contract price was reasonable and increased the contract hourly service fee by \$375,000 when modifying the first option year. In addition, the District lost sales discount revenue calculated to be about \$1.5 million over the 5-year contract period. In total, we calculate that the District may lose as much as \$10.78 million over the period of the 5-year contract term.

Moreover, OCP did not maintain adequate internal controls over the procurement process to ensure that the contract was safeguarded against fraud, waste, and abuse. Specifically, OCP officials could not provide or identify the key controls over the award process, and informed us that they are working on identifying them. We concluded that OCP lacked reasonable assurance that material error or fraud would be prevented or detected in a timely manner. We directed 10 recommendations to OCP for actions necessary to correct the described deficiencies.

FISCAL YEAR 2011 AUDIT REPORT SUMMARIES

Audit of the Department of Health's HIV/AIDS Hepatitis STD TB Administration's (HAHSTA) Management and Administration of Hill's Community Residential Support Services, Inc. Grant, OIG No. 09-2-37HC, August 4, 2011

This audit was conducted at the request of HAHSTA's Care, Housing, and Support Services Bureau Chief, after receiving allegations of improprieties in Hill's Community Residential Support Services, Inc. (HCRSS) management operations of a Housing Opportunities for People with AIDS (HOPWA) grant. We also received a copy of a letter sent to the Executive Office of the Mayor, which documented allegations received from another source with knowledge of HCRSS operations. These allegations were lodged against both HCRSS and HAHSTA.

HAHSTA management did not adhere to the terms and conditions of the HOPWA grant agreement. Specifically, the purchase of goods and services included in invoices HCRSS submitted to HAHSTA for the period of October 2008 through December 2009 contained no evidence of actual expenditures as required by the grant agreement. For FY 2009, HAHSTA reimbursed \$267,192 to HCRSS, of which only \$102,394 contained evidence of an actual expenditure (e.g., a check, money order, or receipt). Documentation generally submitted by HCRSS was composed primarily of vendor invoices, employee timesheets, and bills from utility companies. These documents are not evidence of payment and should not have been used as a basis for reimbursement to HCRSS.

These conditions occurred because: (1) HAHSTA program monitors did not effectively fulfill their responsibilities to carry out HAHSTA's mission and perform programmatic monitoring of subgrantees; and (2) there was inadequate fiscal accountability over recording and reporting grant expenditures. As a result, HAHSTA provided ineffective management controls over operations, which affected areas such as program monitoring, fiscal responsibility, and receipt of deliverables. We directed six recommendations to the Director of DOH that we believe are necessary to correct the deficiencies noted in this report.

D.C. Office of the Attorney General's Antifraud Fund Financial Statement Audit for the Fiscal Year Ended September 30, 2010, OIG No. 11-1-10CB, August 26, 2011

The OIG opined that the financial statements present fairly, in all material respects, the financial position of the Fund for the year ended September 30, 2010, in conformity with accounting principles generally accepted in the United States of America. In accordance with *Government Accounting Standards*, this Office also issued its report on consideration of the Fund's internal control over financial reporting and on its tests of the Fund's compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters.

FISCAL YEAR 2011 AUDIT REPORT SUMMARIES

Audit of the Office of Contracting and Procurement's Contracting Officer Qualifications, OIG No. 09-2-20PO, September 22, 2011

OCP neither had formal training for its professional contracting personnel nor required its contracting officers to obtain professional certification or enhance and maintain their proficiency through continuing education. These weaknesses were addressed in at least three prior reviews of OCP's procurement operations. As of November 30, 2010, there were 36 individuals with delegated procurement authority, and 13 of whom who were part of the Agency Contracting Officer (ACO) program. These 13 employees had limited procurement authority to make small purchases for their respective agencies. We eliminated these individuals from our review and concentrated on the remaining 23 contracting officers (COs) who were full-time procurement professionals.

We determined that only 10 of 23 COs (43 percent) had professional certifications. We reviewed the training records of the 17 COs with delegated procurement authority of \$1 million or more and found that only 7 (41 percent) had completed at least 1 training course during FY 2011; 7 (41 percent) had completed their last course during FY 2010; and the remaining 3 (18 percent) had their last recorded training during FY 2008.

We directed three recommendations to OCP that we believe are necessary to correct the deficiencies noted. OCP has taken initial steps to satisfy the requirements of the Procurement Practices Reform Act (PPRA) by entering into an informal agreement with the UDC to establish a training institute. The mission of the institute will be to provide training to satisfy educational requirements for certification and continuing education requirements to maintain certification; and, through its affiliation with UDC, provide students with the opportunity to earn baccalaureate and graduate degrees in procurement and public contracting.

Audit of the District-Owned Nursing Homes, the Washington Center for Aging Services (WCAS), and the J.B. Johnson Nursing Center (JBJ), OIG No. 10-1-02BY/HT, September 23, 2011

This audit was included in the OIG's annual audit plan and is part of our continuous review of the District Medicaid program. The OIG initiated this audit because each home had been operated by Vital Management Team Long Term Management, Inc. (VMT) via long-term contracts to WCAS for over 20 years and JBJ for 15 years. The lack of rebidding raised the question of whether the District was paying the best possible price for management services of District-owned nursing homes. During 2010, both facilities changed from a management contract (i.e., overseeing nursing home operations) to a ground lease where the nursing homes are to be managed by private companies for approximately the next 20 years.

FISCAL YEAR 2011 AUDIT REPORT SUMMARIES

VMT used approximately \$2 million of District funds without authorization and violated performance conditions of its WCAS contract valued at approximately \$750,000. These events occurred because the District of Columbia Office on Aging (DCOA) lacked internal controls to provide adequate contract oversight. In addition, VMT, a long term District contractor, used its experience and assertive management style to execute questionable hiring practices and exercise improper account management. Without proper contract oversight, significant contract violations went unresolved or undetected for several years. As a result of our audit, we identified \$2.7 million in contract costs that the District could have avoided.

We directed five recommendations to the Executive Director for the DCOA, four recommendations to the Chief Procurement Officer, OCP, and one recommendation to the Chief Financial Officer that we believe are necessary to correct the deficiencies noted in this report.

District of Columbia Professional Engineers' Fund (PEF) Financial Statement Audit for the Fiscal Year Ended September 30, 2010, OIG No. 11-1-09CR, September 26, 2011

The OIG opined that the financial statements present fairly, in all material respects, in conformity with generally accepted accounting principles, the PEF's assets and liabilities as of September 30, 2010, and its revenues, expenditures, and change in fund balance for the year then ended.

Audit of the Hawk One Security Incorporated Citywide Guard Services Contract, OIG No. 09-2-07PO, September 27, 2011

The audit was requested by the Office of Integrity and Oversight at the OCFO due to concerns over billing practices of the contractor, including billings related to relief guard and supervisory hours. OCP did not comply with all applicable regulations contained in Title 27 of the DCMR when awarding the contract. Specifically, prior to award of the contract, OCP did not review the adequacy of the contract requirements, establish the contract type, and perform a cost analysis for the contract award. In addition, subsequent to the award, OCP did not perform a cost analysis for a contract modification over \$500,000. We attributed this condition mainly to OCP officials' lack of management oversight and supervision. As a result, OCP substantially increased the contract amount by \$23 million or about 50 percent over a 4-year period ending May 2009, thereby creating, in effect, a sole source contract and losing the opportunity to obtain a more economical per-guard hour price. OCP also did not determine the reasonableness of the Hawk One contract price. Further, the contractor billed the District as if the contract was a fixed-priced contract as opposed to a requirements contract, which resulted in overpayments.

FISCAL YEAR 2011 AUDIT REPORT SUMMARIES

We also determined that Department of Real Estate Services (DRES)¹ did not adequately monitor Hawk One's contract performance during the contract period. Specifically, DRES did not ensure that the contractor provided adequate support for invoices prior to certifying payments. Also, DRES certified invoices for payment in excess of the contract amount. These conditions occurred because DRES did not: (1) maintain or obtain timesheets prior to certifying invoices for payment; (2) periodically review contractor compliance with contract terms and conditions; and (3) ensure that contract payments did not exceed the contract ceiling.

Consequently, we noted that the Protective Services Division (PSD) certified invoices for payment that the contractor could not support. The total unsupported invoices for payment were about \$1.9 million over the 4-year period. During the same period, DRES authorized payments to the contractor that amounted to \$11.3 million in excess of the contract award amount. Further, PSD retroactively certified invoices related to equitable adjustments for guard employees in the amount of \$955,554. However, the contractor's payroll records did not reflect that the employees were paid. Overall, these conditions indicate that adequate internal controls were not in place to safeguard against fraud, waste, and abuse of the District's financial resources. We directed three recommendations to OCP and four recommendations to DRES.

¹ This Agency is now part of the District's Department of General Services.

**FISCAL YEAR 2011 INSPECTIONS AND EVALUATIONS DIVISION
PERFORMANCE MEASURES STATISTICS**

Activity	FY 2011 Target	FY 2011 Actual
Number of Final Inspection/Evaluation Reports Issued	10	11

**FISCAL YEAR 2011 INSPECTIONS AND EVALUATIONS DIVISION
FINDINGS AND RECOMMENDATIONS STATISTICS**

Report	Findings	Recommendations
MIR 11-I-001: Office of the City Administrator – <i>Lack of Awareness, Policies and Procedures, Training Requirements, and Oversight Mechanisms Regarding the Reporting of Suspected Child Abuse and Neglect in District Entities</i>	1	8
MIR 11-I-002: Office of the City Administrator – <i>District Agencies Without Comprehensive, Up-to-Date, or Written Policies and Procedures have Increased Risk of Poor Performance, Safety and Security Issues, as well as Fraud, Waste, and Abuse</i>	1	3
11-I-0038CF: Department of Employment Services – <i>Report of Special Evaluation: Office of Unemployment Compensation Benefits Division</i>	5	8
MIR 11-I-003: Office of the City Administrator and the Superior Court of the District of Columbia – <i>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</i>	1	9
11-I-0039RL: Child and Family Services Agency – <i>Child Protective Services Administration: Report of Inspection</i>	11	23
11-I-0040FB: Fire and Emergency Medical Services Department (FEMS) – <i>Special Report: Review of FEMS December 2, 2008, No-Transport Response</i>	8	8

**FISCAL YEAR 2011 INSPECTIONS AND EVALUATIONS DIVISION
FINDINGS AND RECOMMENDATIONS STATISTICS**

Report	Findings	Recommendations
MAR 11-I-001: Department of Employment Services – Office of Unemployment Compensation – <i>Computer Programming Safeguards for Accurate Issuance of Unemployment Benefits Were Inappropriately Turned Off Due to Inadequate Internal Controls</i>	1	4
MAR 11-I-002: Office of Administrative Hearings – <i>District Government Agency Representatives’ Failure to Appear at Office of Administrative Hearings Proceedings May Result in Rulings Unfavorable to the District</i>	1	4
11-I-0041FA: Metropolitan Police Department – <i>Report of Special Evaluation: Special Operations Division Approval and Conduct of Non-Dignitary Escorts</i>	6	11
MAR 11-I-003: Fire and Emergency Medical Services Department and Office of Unified Communications – <i>Number of FEMS Personnel Stationed at OUC Not Justified in Light of Many Operational Vacancies</i>	4	2
11-I-0042HC: Addiction Prevention and Recovery Administration: <i>Report of Special Evaluation: Detoxification and Stabilization Center</i>	16	24
Total	55	104

**FISCAL YEARS 2010 & 2011 INVESTIGATIONS DIVISION
PERFORMANCE MEASURE STATISTICS**

Activity	FY 2010 Targets	FY 2010 Actuals	FY 2011 Targets	FY 2011 Actuals
Evaluate all complaints within 10 days of receipt in the Investigations Division	82%	99%	85%	96%
Complete or convert every preliminary investigation within 30 business days of assignment to investigator in the Investigations Division	80%	100%	80%	97%
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%	95%	85%	97%

**INVESTIGATIONS DIVISION PERFORMANCE STATISTICS
FISCAL YEARS 2008 - 2011**

Activity	FY 2008	FY 2009	FY 2010	FY 2011
Complaints Received	585	635	610	638
Formal Investigations Opened	208	136	129	140
Formal Investigations Closed	130	79	116	125
Zero Files	97	170	173	119
Referrals	280	329	308	379
Referrals Closed	272	296	269	320
Cases Presented to USAO	90	37	48	52
Cases Accepted by USAO	26	18	26	20
Restitution Orders and Fines	\$5,005,256.79	\$127,230,002.44	\$2,690,643.24	\$494,735.80
Recoveries	\$460,184.21	\$11,807.14	\$27,867.15	\$54,867.15
Convictions	30	16	22	20
Indictments	7	17	6	2
Searches Conducted	12	22	6	3
Subpoenas Served	78	132	350	210
ROIs	7	4	8	10
MARs	4	2	3	6
SARs	19	11	14	24
Investigative Referrals*			24	31

*This report was initiated in FY 2010.

**FISCAL YEAR 2011 INVESTIGATIONS DIVISION
CASES CLOSED BY AGENCY**

Agency/Department/Office	Total
Aging, Office on	1
Alcoholic Beverage Regulation Administration	2
Anacostia Waterfront Corporation, District of Columbia	1
Attorney General for the District of Columbia, Office of the	1
Board of Elections and Ethics	2
Chief Financial Officer, Office of the	1
Chief Medical Examiner, Office of the	2
Chief Technology Officer, Office of the	1
Child and Family Services Agency	1
Consumer and Regulatory Affairs, Department of	6
Contracting and Procurement, Office of	2
Corrections, Department of	1
Disability Services, Department on	1
Employment Services, Department of	20
Environment, District Department of	4
Executive Office of the Mayor, District of Columbia	2
Fire & Emergency Medical Services, Department of	5
Health, Department of	4
Homeland Security and Emergency Management Agency	1
Housing and Community Development, Department of	1
Human Services, Department of	5
Insurance, Securities and Banking, Department of	1
Inspector General, Office of the	1
Mental Health, Department of	1
Metropolitan Police Department	2
Motor Vehicles, Department of	5
Parks and Recreation, Department of	4
Police Complaints, Office of	1
Public Library, District of Columbia	1
Public Schools, District of Columbia	16
Public Works, Department of	3
Real Estate Services, Department of	3
Recorder of Deeds, Office of the	1
Risk Management, Office of	2
Small, Local, and Disadvantaged Business Development, Office of	4
State Superintendent of Education, Office of the	10

**FISCAL YEAR 2011 INVESTIGATIONS DIVISION
CASES CLOSED BY AGENCY**

Agency/Department/Office	Total
Transportation, District Department of	4
Unified Communications, Office of	3
Youth Rehabilitation Services, Department of	1
Water, District of Columbia	1

FISCAL YEAR 2011 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	0	0	1	1	2
Physical assaults or threats of violence	3	1	0	2	6
Fraud, theft, or false claims	11	7	6	12	36
Bribery, extortion, kickbacks, or illegal gratuities	1	1	2	4	8
Misuse of government funds or property, or use of official position for private gain	4	3	3	3	13
Governmental waste, inefficiency, or mismanagement	5	5	3	3	16
Contract fraud or procurement violations	1	0	0	0	1
False statements	0	2	1	0	3
Ethics violations and conflicts of interest	3	1	4	3	11
Time and attendance fraud	0	2	2	0	4
Harassment, retaliation, or abuse of authority by a supervisor or by another government official	1	1	0	0	2
Hiring, promotion, or other treatment of employees in violation of personnel regulations	0	0	1	0	1
Incivility or lack of response from an agency	0	1	0	3	4
Miscellaneous	16	19	11	16	62
Totals	45	43	34	47	169

FISCAL YEAR 2011 INVESTIGATIONS DIVISION REFERRAL STATISTICS

Agency	No. of Referrals
Advisory Neighborhood Commissions, Office of	1
Alcoholic Beverage Regulation Administration	1
Aging, Office of	1
Attorney General for the District of Columbia, Office of	14
Auditor	1
Board of Elections and Ethics	6
Chief Financial Officer, Office of the	13
City Administrator, District of Columbia	2
Chief Medical Examiner, Office of the	1
Chief Technology Officer, Office of the	1
Child and Family Services Agency	4
Consumer and Regulatory Affairs, Department of	28
Contracting and Procurement, Office of	4
Corrections, Department of	2
Council of the District of Columbia	1
Disability Services, Department on	6
Education Licensing Commission	1
Employment Services, Department of	16
Federal Referrals*	38
Environment, Department of the	1
Fire and Emergency Medical Services, Department of	3
Health, Department of	8
Health Care Finance, Department of	2
Housing Authority	11
Housing and Community Development, Department of	5
Human Resources, Department of	14
Human Services, Department of	9
Inspector General, Office of (Audit Division)	1
Inspector General, Office of (Inspections and Evaluations Division)	2
Inspector General, Office of (Medicaid Fraud Control Unit)	22
Latino Affairs, Office on	2
Lottery and Charitable Games Control Board	1

FISCAL YEAR 2011 INVESTIGATIONS DIVISION REFERRAL STATISTICS

Agency	No. of Referrals
Mental Health, Department of	3
Metropolitan Police Department	41
Motor Vehicles, Department of	28
Parks and Recreation, Department of	1
Police Complaints, Office of	2
Public Schools	13
Public Service Commission	1
Public Works, Department of	8
Real Estate Services, Department of	4
Risk Management, Office of	7
Split Referrals**	18
State Superintendent of Education, Office of the	7
Superior Court for the District of Columbia	2
Transportation, District Department of	5
State Referrals***	4
Unified Communications, Office of	2
University of the District of Columbia	6
Water, District of Columbia	3
Youth Rehabilitation Services, Department of	4
Total Referrals	381

* Federal Referrals (38)

Attorney General, U.S.	1
Department of Agriculture, U.S.	1
Department of Defense, Office of Inspector General	6
Department of Justice, Office of the Inspector General	2
Environmental Protection Agency	1
Federal Bureau of Investigation	3
Federal Bureau of Prisons	1

FISCAL YEAR 2011 INVESTIGATIONS DIVISION REFERRAL STATISTICS

Federal Trade Commission	2
Health and Human Services, Office of the Inspector General	2
Housing and Urban Development, Office of the Inspector General	3
Internal Revenue Service	1
Postal Service, Office of the Inspector General	2
Personal Management, Office of	2
National Labor Relations Board	1
Social Security, Office of the Inspector General	1
U.S. Marshals Service	1
Veterans' Affairs, Department of	1
Veterans' Affairs, Office of the Inspector General, Department of	7

**** Split Referrals (18)**

Department of Agriculture, U.S. and Dept. of Parks and Recreation
 Dept. of Mental Health and Office of the Attorney General
 Dept. of Consumer and Regulatory Affairs, Office of the Attorney
 General, and Dept. of Housing and Community Development
 Dept. of Consumer and Regulatory Affairs and Office of Contracting
 and Procurement
 Metropolitan Police Dept. and DC Water
 Dept. of Veterans Affairs and Crime Victims Compensation
 Program, D.C.
 State Superintendent of Education, Office of the and Public
 Schools, D.C.
 Medicaid Fraud Control Unit, D.C., Dept. of Health Services, and
 Chief Financial Officer, Office of
 Metropolitan Police Dept. and Public Schools, D.C.
 Unified Communications, Office of and Dept. of Transportation,
 District
 Dept. Real Estate Services and Office of Contract and Procurement
 Contracting and Procurement, Office of, and Dept. of Transportation,
 District
 Dept. of Motor Vehicles and Dept. of Public Works
 Tax and Revenue, Office of and Dept. of Consumer and Regulatory
 Affairs

FISCAL YEAR 2011 INVESTIGATIONS DIVISION REFERRAL STATISTICS

Dept. of Motor Vehicles and Dept. of Transportation, District
Attorney General, Office of and D.C. Bar
Dept. of Consumer and Regulatory Affairs, Tax and Revenue, Office
of, and Dept. of Employment Services
Dept. of Motor Vehicles and Dept. of Consumer and Regulatory
Affairs

*** State Referrals (4)

State Department of Criminal Justice, Texas
Office of the Attorney General, Georgia
New York District Court, Eastern District
Louisiana Middle District Court

APPENDIX N

FISCAL YEAR 2011 INVESTIGATIONS DIVISION REFERRAL RESOLUTIONS

Referral Resolutions	No. of Referrals
Referred With No Response Requested	256
Matter Referred for Criminal Prosecution	1
Case Closed Administratively After Response Received	60
Contract/Contractor Terminated or Ended	0
Employee Disciplined or Terminated	1
Employee Resigned or Retired	1
Employee Referred to Employee Assistance Program	0
Counseling, Training, or Instruction Provided	1
Restitution/Recovery/Fine	4
Cost Avoidance	0
Agency Reviewed, Revised, or Re-Enforced Its Procedures and Policies	5
Other/Miscellaneous*	52
Agency Sub-Referred OIG Referral	1
Agency Refused/Failed to Investigate, Address, or Implement OIG Recommendations	0
Case Closed With Letter of Delinquency to Mayor	0
Total	382

*These include 44 cases for which the deadline had not yet expired by the end of the fiscal year.

FISCAL YEAR 2011 MFCU PERFORMANCE MEASURE STATISTICS

Performance Goal	FY 2011 Target	FY 2011 Actual
Obtain 20 criminal/civil resolutions (plea, settlement, or verdict) in fiscal year	20	27

**MFCU PERFORMANCE STATISTICS
FISCAL YEARS 2010 & 2011**

Performance Statistics	FY 2010	FY 2011
Number of complaints received ¹		3,006
Unusual Incident Reports	3,900	2,837
Number of fraud matters initiated	51	47
Number of abuse, neglect, or sexual assault matters initiated	114	106
Number of theft or funds misappropriation matters initiated	11	16
Provide training/in-service education to relevant entities	6	8
Criminal and Civil Resolutions	26	27
Criminal Convictions	13	11
Plea Agreements	7	6
Guilty Verdicts	6	5
Criminal Acquittals	1	2
Civil Resolutions	12	14

¹ 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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