
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, 2010. 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.

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 2010, the Audit Division issued 28 reports with total potential monetary benefits of approximately \$25.8 million. Comparing these to Audit Division costs of approximately \$3.3 million, results in a return on investment for audits performed by OIG audit staff that exceeds \$8 for each dollar invested. All annual performance measures were met or exceeded.

FY 2010 presented the city's leadership with significant fiscal challenges that we believe will continue into the foreseeable future, as a direct result of the nation's economic downturn. As in years past, the OIG devoted significant resources to audit programs and initiatives that pose serious challenges and risks for District executives, managers, citizens, and stakeholders. The recession has induced budget shortfalls that will extend into the near term, presenting the city's leadership with fiscal challenges. Like other cities or localities across the nation, the District was affected in FY 2010 by higher than normal 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. For FY 2010, our goals focused on evaluating risk areas and programs that represent issues of critical concern to the Mayor and D.C. Council (to include Public Education Programs, Medicaid Programs, Vulnerable Populations, Procurement and Contracting, Citizen Safety and Protection, Workforce Administration, and the Payment Process), 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 in the agencies, and optimizing other revenue-generating activities.

For example, in FY 2010, we issued eight performance audit reports that addressed procurement issues, such as the Office of Cable Television management operations and contracting actions at the University of the District of Columbia and the Office of the Chief Technology Officer, and Medicaid issues, such as a transition plan for the Washington

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Center for Aging Services and the rate-setting process for intermediate care facilities for people with developmental disabilities. 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 Audit (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 2009 CAFR on February 4, 2010, the city received its thirteenth consecutive, unqualified opinion on its financial statements.

Inspections and Evaluations Division (I&E). During FY 2010, the Inspections and Evaluations Division (I&E) published 10 final reports: 4 Management Alert Reports (MARs), 3 Reports of Inspection (ROIs), 2 Reports of Special Evaluation, and 1 Management Implication Report (MIR)¹. Collectively, these reports presented District agency directors and their managers with 61 distinct findings and 95 actionable recommendations aimed at mitigating noted deficiencies and/or enhancing District government operations.

I&E's three ROIs presented findings and recommendations pertaining to the Public Service Commission, Homeland Security and Emergency Management Agency, and the Department on Disability Services. I&E's Reports of Special Evaluation addressed conditions in specific operational areas of the Alcoholic Beverage Regulation Administration and the Department of Real Estate Services' Protective Services Police Department.

I&E's MARs and MIR targeted significant matters of immediate concern pertaining to members of vulnerable populations. For example, in April 2010, the OIG sent MAR 10-I-002 to the Department of Human Services to inform the agency that employees in its Adult Protective Services Division (APS) were not properly safeguarding sensitive and, in certain instances, legally-protected information submitted by its clients and/or related to incidents of physical abuse, neglect, and financial exploitation of vulnerable adults. I&E observed client case files, which may include written statements from victims and alleged perpetrators, law enforcement and medical records, bank statements, and estate documents, lying on unattended desks and in carts waiting to be filed in an unsecured storage room. The conditions cited in MAR 10-I-002 also prompted the issuance of a MIR entitled *Inadequate Safeguarding of Sensitive Employee, Customer, and Client Information in District Agencies: A Recurrent Failure*. In the MIR, the OIG recommended, among other things, that the City Administrator collaborate with various District agencies to promulgate policies and procedures that define criteria for sensitive information and how to properly use and protect

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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it, and steps an employee should take if he/she thinks sensitive information may have been compromised. Since February 2000, the OIG has issued 17 reports that document instances where agencies did not properly protect sensitive information.

MAR 10-I-003, sent to the Metropolitan Police Department (MPD) and the Child and Family Services Agency (CFSA) in June 2010, concluded that due to the absence of adequate procedures and training, MPD patrol officers do not consistently recognize indicators of child abuse and neglect and report them to CFSA. In response to recommendations presented in the MAR, MPD indicated it would develop and publish a comprehensive directive regarding child abuse and neglect, and incorporate the directive into training delivered to both MPD's new recruits and veteran officers.

Investigations Division (ID). During the past fiscal year, special agents from the ID investigated a wide variety of allegations of criminal conduct by District employees and members of the public, as well as administrative misconduct by District employees. The ID's investigations have included the following: bribery; fraudulent receipt of District benefits such as unemployment insurance benefits; negotiating stolen District government checks; falsifying documents to establish District residency; identity theft; and misuse of a District government vehicle. 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), the U.S. Postal Inspection Service, the U.S. Secret Service, other federal OIGs, and local police departments such as the Metropolitan Police Department (MPD). A number of these investigations resulted in criminal charges against District employees in several agencies, including the Office of the Chief Technology Officer, the Department of Employment Services, the Office of the Inspector General, the Office of the State Superintendent of Education, the Office of Unified Communications, and the Department of Youth Rehabilitation Services.

During FY 2010, the ID presented 48 cases to the USAO for criminal prosecution under laws within the jurisdiction of that office and 26 were accepted for further investigation. In FY 2010, ID investigations resulted in 33 arrests, 6 indictments, 22 convictions, and terms of imprisonment totaling 410 months. ID investigations also resulted in restitution orders totaling \$2,688,543.24.

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 billing; and the investigation and prosecution of abuse, neglect, and financial exploitation of persons who reside in Medicaid-funded facilities.

In FY 2010, the MFCU initiated 176 investigations and closed 164 matters. Through trial or settlement, the MFCU attained 26 substantive dispositions of outstanding fraud, abuse, neglect, and sexual assault cases. The MFCU obtained 12 criminal convictions through trials and plea agreements. Additionally, the MFCU resolved civil settlements, some local to the

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District of Columbia alone and some global, which included D.C. and other states. The total recovery from these settlements exceeded \$3.6 million for the Medicaid program, recouping more than \$5 for every dollar funding the MFCU.

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.

In conclusion, I would like to again recognize the expertise, intensity, and hard work of the OIG staff throughout the year. Their teamwork, skills, and dedication have led to record level outputs and accomplishments that I believe continue to contribute significantly to the improvement of government operations, and thus the quality of life for residents. I appreciate also the exceptional cooperation received from agencies during our investigations, audits, and inspections. Moreover, acceptance and implementation of our recommendations by District officials are encouraging signs that our efforts are producing needed corrective action.

Finally, to the citizens and stakeholders of the District: during these difficult financial times, we must all continue to be ever so vigilant in not only recognizing 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, must play a part in ensuring the effectiveness of the District's programs and operations. A task that is all the more important, especially in this recession and post 9/11 climate.



Charles J. Willoughby
Inspector General

December 1, 2010

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RISK ASSESSMENT

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During FY 2010, the OIG focused its resources on programs and initiatives that pose serious challenges and risks for the District. Although the District has fared better fiscally when compared to other municipalities, District unemployment; reduced real estate values; decreased consumer spending; lowered results in nearly all economic indices; and the ensuing tightening of revenue streams, when 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. Our goals in FY 2010 focused on the following risk areas and programs that represent issues of critical concern to the Mayor and D.C. Council: 1) Public Education Programs; 2) Medicaid Programs; 3) Vulnerable Populations; 4) Procurement and Contracting; 5) Citizen Safety and Protection; 6) Workforce Administration; and 7) the Payment Process. With the passage of the American Recovery and Reinvestment Act of 2009 (ARRA), the District received about \$900 million in federal monies to be spent between FYs 2009 and 2012 to stimulate the city's economic recovery. Given the need to use these funds quickly, particularly for education, Medicaid, and road construction programs, coupled with concern for accountability of ARRA expenditures to avoid fraud, waste and abuse, we identified Stimulus Spending as an additional short-term high risk.

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 particular 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 the appropriate corrective measures.

Public Education Programs

District of Columbia public education programs continue to pose significant financial and performance risks for the District. In FY 2010, BDO Seidman, LLP submitted its *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters*. This report details identified significant deficiencies, which adversely affect the District's ability to initiate, authorize, record, process, and report financial data. One of the significant deficiencies identified related to District of Columbia Public Schools (DCPS) – payroll. During FY 2010, the OIG was actively involved in DCPS audits; worked continuously with the CAFR oversight committee to assess and track progress in mitigating risks posed by reportable conditions and material weaknesses; and held interactive meetings with school and legislative officials to discuss audit agenda and

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priorities. One example of our work in this area is our payroll verification audit for DCPS, issued July 30, 2010. In this review, we made two findings concerning internal control deficiencies in DCPS payroll and recordkeeping systems and addressed six recommendations to DCPS management to correct those deficiencies.

With expenditures nearing \$2 billion, there is a significant risk of waste and misuse of public education dollars. Accordingly, our FY 2011 audit and inspection plan contains public education audits that address fiscal, management, and academic risk areas. A sampling of our proposed audits includes topics that will focus on special education programs, public education facilities modernization, the DCPS athletics program, the non-public tuition program, and management of truancy. Through the auspices of the CAFR Committee, the OIG continues to oversee actions taken by DCPS, the Office of the Chief Financial Officer (OCFO), the Office of the State Superintendent of Education, and other officials to initiate the appropriate corrective measures and program improvements to reduce the risks associated with several educational program areas. We are committed to continue our work with key school and agency officials to identify and address issues that could have an immediate fiscal impact on school operations.

Medicaid Program

The District has devoted considerable local and federal dollars to provide healthcare for the Medicaid-eligible segment of the District population. For FY 2010, the District budgeted more than \$2 billion for Medicaid covered services. Such large, planned expenditures, coupled with hundreds of millions of dollars in Medicaid covered expenses that have been written off in recent years, pose a significant risk of potential financial loss for the District. 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 2010, we issued two audits addressing Medicaid issues: the rate-setting process for intermediate care facilities for people with development disabilities; and the transition plan for the Washington Center for Aging Services. In addition, continuing into FY 2011, we have ongoing audits in Medicaid claims at the Department of Health Care Finance; human care agreements; Alliance eligibility; Medicaid non-direct services contracts; and executive pay for nursing homes.

The OIG also maintains a Medicaid Fraud Control Unit (MFCU) to conduct investigations of Medicaid fraud and patient abuse 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.

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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 2010 targeted matters and programs pertaining to members of vulnerable populations. For example, in April 2010, the OIG sent MAR 10-I-002 to the Department of Human Services to inform the agency that employees in its Adult Protective Services Division (APS) were not properly safeguarding sensitive and (in certain instances) legally-protected information submitted by its clients and/or related to incidents of physical abuse, neglect, and financial exploitation of vulnerable adults. I&E sent another MAR (10-I-003) to the Metropolitan Police Department (MPD) and the Child and Family Services Agency (CFSA) in June 2010, after concluding that due to the absence of adequate procedures and training, some MPD patrol officers do not consistently recognize and report indicators of child abuse and neglect to CFSA. In September 2010, the OIG published a report of inspection on the Department on Disability Services' Rehabilitation Services Administration, which helps District residents with disabilities obtain and maintain employment and otherwise achieve self-sufficiency and independence within the community.

Citizen Safety and Protection

During the OIG's special evaluation of MPD's Youth Investigations Division, inspectors observed that, due to the absence of adequate procedures, MPD officers assigned to the Juvenile Processing Center (JPC) of the Department of Youth Rehabilitation Services' Youth Services Center were unable to ensure that firearms brought into the facility by MPD and other law enforcement officers were properly accounted for and secured in lock boxes. I&E issued a MAR to MPD in January 2010 regarding this issue and subsequently issued another report in May 2010 citing deficiencies in security, equipment, training, and other areas in the Department of Real Estate Services' Protective Services Police Department, the entity charged with providing security and law enforcement services in District-owned and -leased property.

Procurement and Contracting

District law requires that the OIG review procurements annually. For FY 2010, District agencies spent more than \$1.2 billion to procure a variety of goods and services. Our audit procurement division continued to place added emphasis on persistent procurement problems and allegations of procurement abuse.

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District procurement remains a high risk area, exacerbated by the structural deficiencies and ineffective methodologies used to award and administer contracts. As reported in previous years, the absence of basic systems for contract records management and data retrieval present challenges for managing procurement functions spread over approximately 70 agencies, planning procurements, fostering competition among prospective bidders, and ultimately obtaining best value in terms of price and quality. In FY 2010, a number of ideas were discussed and considered by procurement management officials to modify the procurement system either through adoption of more commercial-like practices and/or decentralization of the procurement function. While management continues to look for new ways to improve the District's procurement system, any measures that restructure contracting and procurement practices must address inherent system deficiencies that present obstacles to obtaining best value and internal control weaknesses that heighten the risks of fraud, waste, and abuse.

In FY 2010, we issued three performance audit reports that addressed an assortment of procurement issues including: the contract award and administration at the Office of Cable Television; contracting actions at the University of the District of Columbia; and contracting actions at the Office of the Chief Technology Officer (OCTO). Audits ongoing at the end of FY 2010 include reviews of: contracting actions at the OCFO; information technology services contracting actions at OCTO; ARRA contracts at the D.C. Department of Transportation; contracting officer qualifications at OCP; and billing procedures used for security contracts.

Citizen Safety and Protection

The District has a population in excess of a half million residents. There are 174 foreign embassies located here. Every day, the District is visited by people from across the country and throughout the world. Public safety remains a significant concern to District citizens, elected officials, and the community as a whole. For FY 2011, audits are planned to address citizen safety and protection including audits of District-owned Nursing Homes, Human Care Agreements, Food Safety and Hygiene Inspection, and Inspection of Residential Properties.

Workforce Administration

A challenge for District managers is to acquire and retain qualified professional and support personnel in one of the most competitive employment markets. With a career workforce of approximately 30,000 people, District leaders and managers provide a wide range of services to residents, while maintaining accountability to those same residents. In recent years, the issue of workforce accountability has presented the District with a level of financial risk that requires management scrutiny and oversight. Workforce management entails not only acquiring reliable individuals to fill vacant positions but also ensuring that job

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responsibilities are adequately segregated and internal controls and oversight are operationally active and effective to prevent fraud, waste, and abuse.

Our FY 2011 planned audits include a review of overtime controls within the Solid Waste Management Administration at the Department of Public Works; employee qualifications and background checks; MPD overtime expenditures; ethics awareness and training for District employees and prospective contractors; citywide strategic planning and performance measurements; and contracting officer technical representative qualifications training.

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). During FY 2010, we issued a payroll verification audit at DCPS and ongoing is our review of prior District security contracts. In FY 2011, we plan to evaluate tax collection efforts at the Office of Tax and Revenue, collection of business franchise taxes, and delinquent tax collection/offers in compromise.

Stimulus Spending

With the receipt of nearly \$900 million in ARRA funds to stimulate the District's economy, the need for accountability and transparency, as called for in the Act, plays a pivotal role in ensuring that allocated ARRA funds are spent on the programs targeted by law. The expenditure of large sums of money in a narrow time period creates a short-term high risk that will require oversight on several fronts. During FY 2010, we initiated an audit of the District's Department of Transportation construction contracts that are funded with federal stimulus dollars, and we plan to issue our report on this audit in FY 2011. This Office will continue to coordinate stimulus spending oversight efforts with the Government Accountability Office and federal inspectors general organizations overseeing targeted programs such as education, Medicaid, and transportation. For example, our *FY 2011 Audit and Inspection Plan* contains audits of programs known to receive stimulus spending, including the Individuals With Disabilities Education Act Part B and Part C programs and the District's federal medical assistance percentage increase under ARRA (Medicaid program). Finally, to the extent made possible by available resources, we will include aspects of stimulus spending in routine audits of targeted programs.

GENERAL ACTIVITIES

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MISSION

In accordance with its enabling legislation, D.C. Code § 2-302.08(a-1) (Supp. 2009), the mission of the District of Columbia Office of the Inspector General (OIG) sets forth the following OIG duties:

- Conduct and supervise audits, inspections, and investigations, relating to programs and operations of District government departments and agencies, including independent agencies;
- Provide leadership, coordinate with, and recommend policies for activities to promote economy, efficiency, and effectiveness, and to prevent and detect waste, fraud, abuse, corruption, and mismanagement in District government programs and operations; and
- Provide a means to keep the Mayor, D.C. Council, and District government agency and department heads fully and currently informed of problems and deficiencies relating to the administration of District government programs and operations and the necessity for and the progress of corrective actions.

STATUTORY RESPONSIBILITIES

The OIG is created as a subordinate agency within the Executive Branch of the District government and, therefore, reports administratively to the Executive Office of the Mayor (EOM). However, a distinguishing feature of the OIG is its statutory requirement to perform its mission independently. Independence is critical to the OIG's mission because it ensures the integrity and credibility of the OIG's findings and recommendations. Accordingly, the OIG has been empowered to conduct its audits, inspections, and investigations free of outside interference or influence. The OIG's independence is further strengthened through its statutory budget autonomy, which prohibits the D.C. Council and the Mayor from revising the OIG's annual budget submissions. Although the D.C. Council may comment on or make recommendations to the OIG's annual budget estimates, the D.C. Council may not revise these estimates.

As stated in the provisions cited above, the OIG has a statutory mandate to perform audits, inspections, and investigations as requested by the Mayor or that are deemed necessary or desirable by the Inspector General. If the OIG finds reasonable grounds to believe there has been a violation of federal or District criminal law, the Inspector General reports the evidence of criminal misconduct to the U.S. Department of Justice; in these instances, the OIG also forwards to the Mayor any report regarding the evidence, if appropriate, and within

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a reasonable time period. In cases of administrative misconduct, the Inspector General refers evidence of the same to the Mayor or the appropriate agency head. The OIG additionally forwards any audit, inspection, or investigative report of misconduct or unethical behavior to the appropriate authority.

The OIG has several other statutorily mandated responsibilities. 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. Government Accountability Office and as the liaison representative for all external audits of the District government.
- Conducting an annual operational audit of District government procurement activities.
- Contracting with an outside auditing firm to perform the Comprehensive Annual Financial Report (CAFR) of the District government for the previous fiscal year.

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

CHRONOLOGY OF LEGISLATIVE CHANGES TO THE OIG STATUTE

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

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1998 (D.C. Law 12-190, effective Mar. 26, 1999), which empowered criminal investigators to carry firearms in the District of Columbia while engaged in the performance of official duties; make arrests without a warrant for felony violations committed in their presence in the District; and execute search warrants issued upon probable cause.

In 2000, the D.C. Council's Office of the Inspector General Powers and Duties Amendment Act of 1999 (D.C. Law 13-71, effective Apr. 5, 2000) made several changes to the OIG's statute. Specifically, the Act: 1) codified the OIG's mission statement; 2) required the OIG to comply with generally accepted auditing, inspection, and investigation standards; 3) provided that every third year, the OIG must undergo a peer review to thoroughly assess the OIG's audit, inspection, and investigative standards, policies, procedures, and quality controls; 4) gave the OIG access to the papers, documents, and other property belonging to, or in use by, District government subordinate and independent agencies, excluding the D.C. Council and the District of Columbia Courts; 5) provided that the OIG could recommend administrative sanctions against employees or contractors who refuse to cooperate with official OIG investigations; and 6) codified the OIG's policy of non-disclosure of the identity of complainants or individuals providing information to the OIG, unless the Inspector General determines that disclosure is unavoidable or necessary to further the ends of an investigation.

The D.C. Council further amended the OIG statute in fiscal year (FY) 2003 via the Inspector General Qualifications Amendment Act of 2003 (D.C. Law 15-026, effective Jul. 30, 2003) (Qualifications Act). The Qualifications Act expanded the necessary qualifications for the Inspector General, who must now possess a minimum of 7 years aggregate experience in law, accounting, auditing, financial management analysis, public administration, or investigations. Additionally, the Inspector General must be a graduate of an accredited law school, be a member in good standing of the D.C. Bar for at least 7 years immediately preceding appointment, and possess 7 years experience in the practice of law. However, the legislation allows an Inspector General to substitute the legal experience prerequisite with either: 1) certified public accountant licensure for 7 years immediately preceding his/her appointment and 7 years aggregate experience in accounting, tax consulting, or financial consulting; or 2) possession of a certified public accountant certificate from the District of Columbia Board of Accountancy, membership with the Greater Washington Society of Certified Public Accountants, and 7 years experience in the practice of public accounting.

In FY 2005, the D.C. Council 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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FY 2010 LEGISLATIVE ACTION AFFECTING OIG OPERATIONS

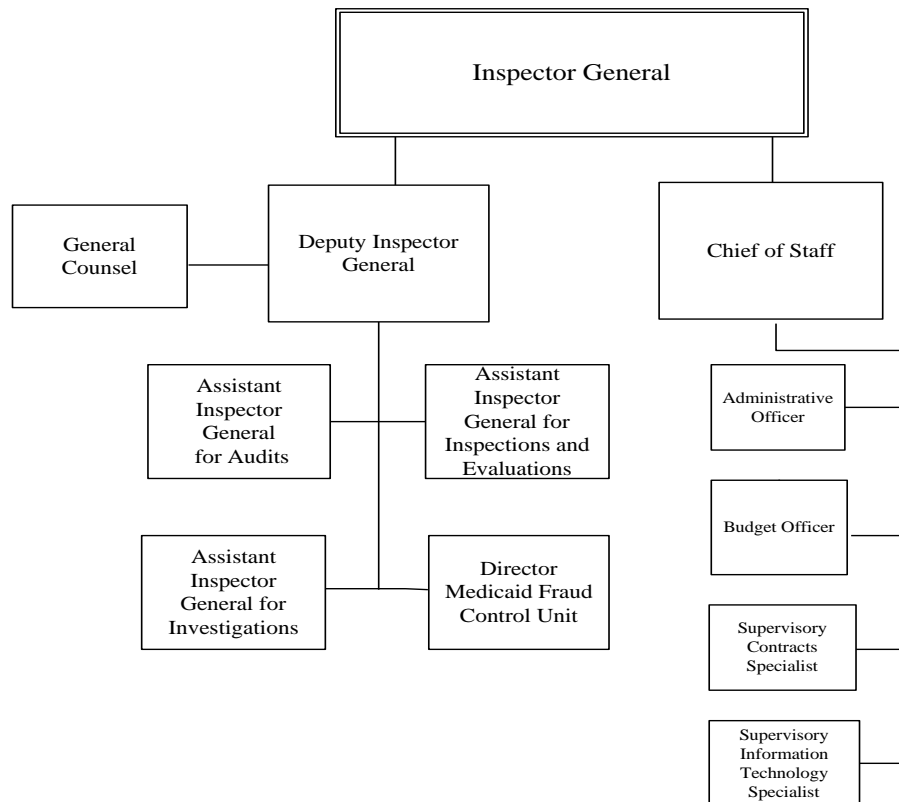
Effective March 11, 2010, the D.C. Council enacted the Whistleblower Protection Amendment Act of 2009 (L18-0117), which, *inter alia*, amended the Comprehensive Merit Personnel Act of 1979 to establish authority for the Mayor to grant a cash reward to a District employee whose protected disclosure assists in securing the right to recover, leads to the actual recovery of, or prevents the loss of more than \$100,000 in public funds. The legislation provides that the Mayor may pay a reward in any amount between \$5,000 and \$50,000 to the person who made the protected disclosure, provided that the Inspector General, District of Columbia Auditor, or a similar law enforcement authority recommends granting the reward.

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ORGANIZATION

The OIG is comprised of the Inspector General (IG), the Deputy Inspector General, the General Counsel, the Chief of Staff, 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 for 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, 2010



BUDGET AND PERSONNEL

The Office of the Inspector General's FY 2010 approved operating budget from all sources was \$17.6 million. Of this amount, \$4 million was allocated for the Comprehensive Annual

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Financial Report. There were 118 full-time positions supported by this budget. The Office received 88 percent of its budget (\$15.5 million) from local funding, which supported 102 full-time positions, (including 5 positions that represent a 25 percent local contribution to the federal grant that supports the Medicaid Fraud Control Unit). The Office received 12 percent (\$2.1 million) of its budget from federal funding, which supports 75 percent of the 21 full-time positions for the Medicaid Fraud Control Unit.

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 is a summary of the types of training taken by personnel within the OIG divisions for FY 2010:

- 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:

	Inspector General
7/18/05 – present:	Charles J. Willoughby
	Deputy Inspector General
2/28/00 – 5/21/10:	Austin A. Andersen
10/12/10 – present:	Blanche L. Bruce
	Chief of Staff
6/1/06 – present:	Roger W. Burke, Jr.

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General Counsel
12/31/00 – present: Karen E. Branson

Deputy General Counsel
12/31/00 – present: Victoria L. Lucchesi

Assistant Inspector General for Audits
6/18/00 – 2/26/10: William J. DiVello

6/21/10 – present: Ronald W. King

Deputy Assistant Inspector General for Audits
8/19/96 – 1/29/10: Cheryl L. Ferrara

5/9/10 – present: LaDonia M. Wilkins

Assistant Inspector General for Inspections & Evaluations
6/21/99 – present: Alvin Wright, Jr.

Deputy Assistant Inspector General for Inspections & Evaluations
3/6/06 – present: Edward J. Farley

Assistant Inspector General for Investigations
8/18/08 – present: Stacie Pittell

Deputy Assistant Inspector General for Investigations
5/15/98 – present: Alfred Miller

Director of Medicaid Fraud Control Unit
4/18/04 – present: Susan B. Kennedy

Deputy Director of Medicaid Fraud Control Unit
6/25/07 – present: Jacqueline Schesnol

Administrative Officer
3/12/93 – present: Grace Y. Price

Budget Officer
3/16/98 – present: Ranee Phillips

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9/9/01 – 9/30/09: **Supervisory Contract Specialist**
Russell Symons

1/4/10 – present: Thurman Dutton

2/17/98 – present: **Supervisory Information Technology Specialist**
Lesly Valentin

FISCAL YEAR 2010 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 2010 can be accessed on our website. Appendix A contains the topics and dates of OIG testimony presented before the D.C. Council.

FISCAL YEAR 2010 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 2010.

VISITS BY FOREIGN DELEGATIONS

As in prior years, the Office of the Inspector General (OIG) has hosted a number of 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 also they are excellent vehicles for the fostering of constructive diplomatic relations between the United States and other nations. During this reporting period, the visiting delegations hosted by the OIG included delegations from China, Senegal, Japan and Iraq.

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,

GENERAL ACTIVITIES

and includes the biographies of key personnel. It also 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 2011 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 federal law. The FY 2011 Plan includes audits and inspections ongoing as of September 1, 2010. 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 the conduct of many of our activities; however, the majority of our activities are discretionary, often addressing concerns and interests of elected officials, agency heads, and members of the District community. District officials and other stakeholders have emphasized their continuing commitment to avoid risks that could trigger the re-emergence of budget deficits and management inefficiencies.

In formulating the Plan, we identified agencies and programs considered material in terms of service delivery and fiscal impact. Additionally, we considered risk factors, which include the following:

- material internal control weaknesses;
- potential fraud, other criminal acts, or improper practices;
- substantial violations of program directives or poor management practices that could seriously affect program accomplishment;
- major inefficiencies in the use of resources or management of operations; and
- significant program performance issues.

The Plan includes OIG initiatives for audit and inspection coverage that will focus on areas that present the highest risks to maintaining the District's fiscal integrity and continued financial strength. In assessing these risks, our audit plan has been designed to concentrate on seven strategic themes that will govern our operations, help us achieve our mandated mission, and further the Mayor's strategic initiatives. These themes are:

- I. Revenue Enhancement
- II. Spending and Efficient Use of Resources
- III. Delivery of Citizen Services
- IV. Support Services
- V. Audits Required by Law
- VI. District of Columbia Education Programs
- VII. Stimulus Spending

AUDIT AND INSPECTION PLAN

As has been our practice, formulation of the Plan began with the initiation of the OIG's annual planning conference held in June 2010. To ensure that FY 2011 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 Executive Office of the Mayor, Councilmembers, District agency officials, and others. The listing of a particular audit or inspection in the Plan does not necessarily mean that problems exist or guarantee that a review will be undertaken. The reality of having limited resources and the unknown 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.

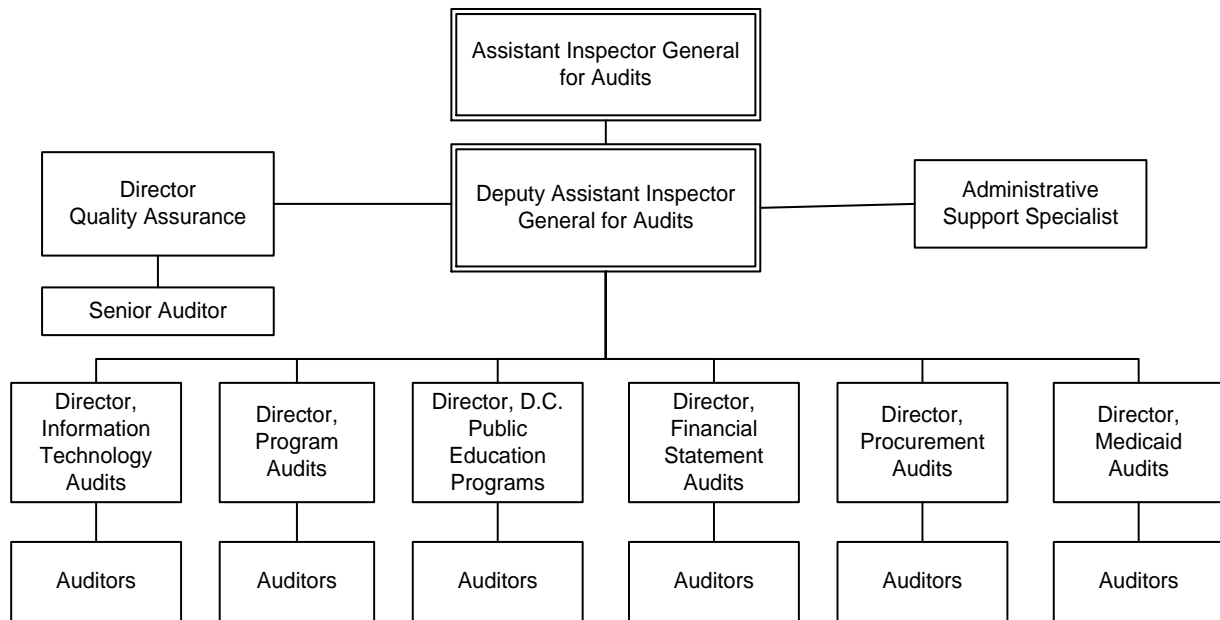
ACTIVITIES OF THE AUDIT DIVISION

ACTIVITIES OF THE AUDIT DIVISION

ORGANIZATION

The OIG Audit Division is comprised of a staff of professional auditors. The Division 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) D.C. Public Education Programs; (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, 2010**



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, 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

ACTIVITIES OF THE AUDIT DIVISION

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 evidence to provide an independent assessment of a program or entity and typically assess program results and/or the entity protecting or using 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 Systems 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 subjects to the staff. In-house courses not only save money, but also take advantage of the knowledge and experience of our staff.

ACTIVITIES OF THE AUDIT DIVISION

PROFESSIONAL ASSOCIATIONS AND ORGANIZATIONS

Audit Division personnel are members of a number of educational and professional organizations – such as the Association of Local Government Auditors and the Association of Inspectors General – to enhance audit performance and broaden their perspective. Likewise, staff members are active in such professional organizations as 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.

In addition, audit staff members have submitted articles on various audit topics and emerging audit issues. Abstracts of audits conducted in FY 2010 were published in professional newsletters and journals. A list of these publications is contained in Appendix C.

ASSOCIATION OF INSPECTORS GENERAL 2009 FALL CONFERENCE

During FY 2010, the Association of Inspectors General held its fall conference in Washington, D.C. The Capital Chapter hosted this 3-day event on October 21 through October 23, 2009. Association members from the District of Columbia and more than 40 states and localities attended the conference. The theme of the conference was “Inspectors General-Change Agents for Better Government” and covered topics of interest to the Inspectors General community, to include: *FBI Interface With IGs-Combating Fraud and Corruption*; *Working With IGs – A Reporters Perspective*; and *Strengthening Government Through the Harnessing and Effective Use of Technology*.

Representatives from District government – including The Honorable Vincent C. Gray, Chairman, Council of the District of Columbia; Charles J. Willoughby, Inspector General; Dr. Natwar M. Gandhi, Chief Financial Officer; and Michelle Rhee, Chancellor, D.C. Public Schools – delivered presentations touching on emerging issues facing the District. Many OIG employees were on the conference committee, and the former AIGA was the conference co-chairperson.

CONTINUATION OF LIAISON ACTIVITY

Pursuant to the statutory mandate contained in D.C. Code §§ 2-302.08(a)(3)(B) and (C) (Supp. 2010), the OIG is required to act as 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. In return, we coordinate audit efforts with the GAO, the District of Columbia Auditor, and federal inspector general offices.

ACTIVITIES OF THE AUDIT DIVISION

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 2010: 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 D.

SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDITS

For FY 2010, we issued 28 reports with total potential monetary benefits of approximately \$25.8 million. Comparing these to Audit Division costs of approximately \$3.3 million shows that a return on investment for audits performed by OIG audit staff approximates \$8 for each dollar invested.

To more readily identify potential benefits, the OIG includes a schedule in each audit report that identifies 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 economy and efficiency, internal control and compliance, or program results. The type of 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 the expenditure of funds.

ACTIVITIES OF THE AUDIT DIVISION

AUDIT AGENCY/OFFICE COVERAGE

The 28 audits completed in FY 2010 represented reviews undertaken as part of our *FY 2010 Audit and Inspection Plan* or emerging issues that required our immediate attention. Audit reports to agency heads recommended corrective actions necessary to improve operations, addressed noted deficiencies, and ensured that agencies were in compliance with prescribed regulations, policies, procedures, and standards. Upon the issuance of a final report, agencies described actions they had taken or planned to take to address audit recommendations. Appendix E identifies the 22 District government agencies/offices audited during FY 2010.

AUDIT FOLLOW-UP

Audit follow-up is the process that enables the OIG to monitor, assess, and report on the status of agency implementation of agreed upon corrective actions recommended by prior audits. The audit follow-up should provide for systematic analysis of corrective action to determine whether the actions taken have addressed the problems that led to the recommendations. Due professional care includes follow-up on known findings and recommendations from prior audits related to current audit objectives to determine whether agency officials took prompt and appropriate corrective actions. Audit standards require auditors to disclose the status of known but uncorrected significant or material findings and recommendations from prior audits.

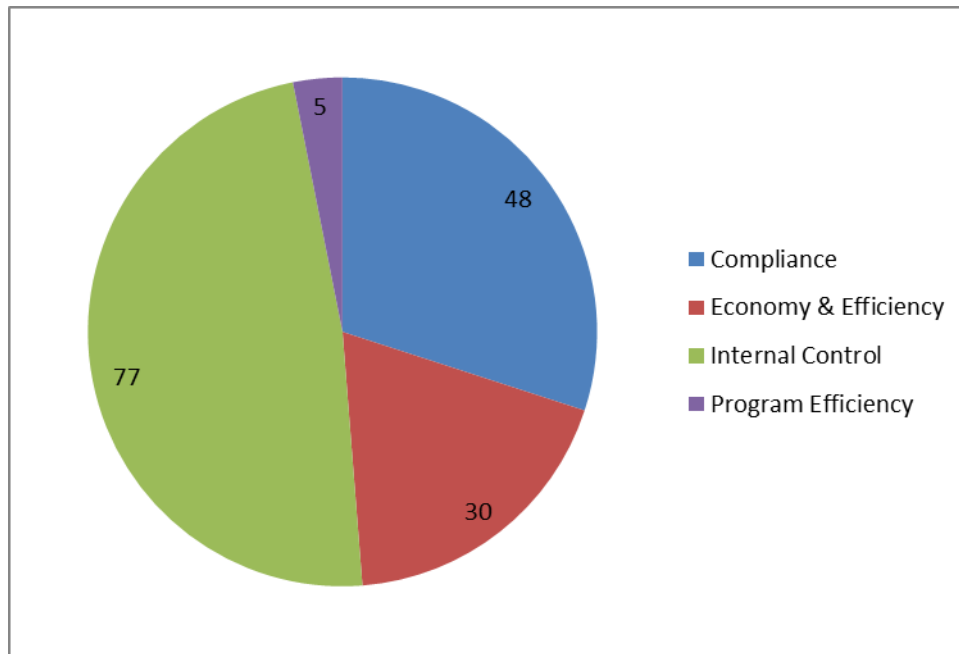
Taking action on recommendations is imperative to ensure deficiencies are corrected. Much of the benefit from audit work is not in the findings reported or the recommendations made, but in their effective resolution. District management is responsible for resolving audit findings and recommendations, and having a process to track their status can help fulfill this responsibility. Accordingly, we have emphasized this important function by tracking audit recommendations and assessing the progress of corrective actions. The Audit Division conducts triennial follow-up audits, issues follow-up letters, or meets with agencies to inquire as to the status of agreed-to recommendations. We may also issue MIRs when we identify potentially widespread problems, or Management Alert Reports (MARs) where immediate corrective action is necessary.

FISCAL YEAR 2010 AUDIT RECOMMENDATIONS

In FY 2010, the Audit Division made a total of 160 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 our recommendations. Appendix F provides further information regarding audit recommendations for FY 2010. The following chart identifies the number of recommendations by category.

ACTIVITIES OF THE AUDIT DIVISION

Analysis of Recommendations by Category



COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

CAFR Oversight Committee. To oversee the CAFR, the OIG established the Comprehensive Annual Financial Report Oversight Committee (Committee). 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 prevent timely completion of the audit. 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; and (3) providing an open avenue of communication among the Auditors, Executive Office of the Mayor (EOM), Council of the District of Columbia (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 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.

ACTIVITIES OF THE AUDIT DIVISION

In order to ensure adequate and timely management action in response to recommendations, the Committee continued to meet throughout FY 2010. As part of these meetings, we invited agency heads to present the status of work completed to address deficiencies and open recommendations at their respective agencies. Agencies that briefed the Committee in FY 2010 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 2009 CAFR. On January 28, 2010, BDO Seidman, LLP issued the District's FY 2009 CAFR. This issuance marks the District's thirteenth consecutive unqualified opinion on its financial statements.

In connection with the audit of the District of Columbia's general purpose financial statements for FY 2009, BDO Seidman, 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 adversely affects the District's ability to initiate, authorize, record, process, and report financial data. The report identified three significant deficiencies: (1) District of Columbia Public Schools – payroll; (2) Management of the Medicaid Program; and (3) the Office of Tax and Revenue. However, BDO Seidman, LLP did not classify any of these significant deficiencies as material weaknesses.

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. Stimulus Spending

A summary of FY 2010 reports is included at Appendix G. To show the results of our audits by respective risk area, we have summarized a selection of significant audits by the themes identified above.

ACTIVITIES OF THE AUDIT DIVISION

AUDIT HIGHLIGHTS BY THEME

REVENUE ENHANCEMENT

Audit of the Rate-Setting Process for Intermediate Care Facilities for People with Developmental Disabilities (ICFs/DD), OIG No. 08-2-17HC, June 29, 2010

The former Director of the Medical Assistance Administration (now Department of Health Care Finance (DHCF)), requested the audit due to concerns over funds paid to privately-operated intermediate care facilities for people with developmental disabilities (ICFs/DD), specifically Individual Development, Inc. The overall objectives of the audit were to determine whether costs reported to DHCF by the ICFs/DD were accurate and supported and whether the ICFs/DD program was effectively managed. Based on initial observations, we focused on executive compensation.

Nine executives at five ICFs/DD providers received excessive compensation totaling up to \$1.3 million in calendar year 2008. This compensation level occurred because DHCF reimbursement officials did not comply with District and federal regulations to establish ICF/DD rates that were consistent with economy and efficiency. Specifically, DHCF officials did not establish cost-containment controls such as compensation limits or comply with the requirement to rebase medians (e.g., average daily rate) no later than October 1, 1999. Further, DHCF officials did not adequately implement existing internal controls, such as desk reviews and onsite audits. We also attributed this condition to a lack of management oversight because DHCF officials could have proposed legislation to reinstate the requirement to rebase medians at any time during the past 10 years.

We contacted 31 states and of the 27 with privately-operated and managed ICFs/DD, 17 (or 63 percent) exercised some control over executive compensation. Controls included executive compensation limits based on amounts paid for similar positions in government ICFs/DD, the number of beds managed, and amounts paid to state executives. At a minimum, each of the 17 states performed some type of reasonableness study to identify acceptable executive compensation.

The DHCF set rates that allowed five ICFs/DD providers to pay top executives compensation of \$1.6 million, when it could have limited the cost to \$900,000 if compensation limits used by other states had been in place. Our benchmarking showed that 17 states establish annual executive compensation limits of \$33,000 to \$180,000. In comparison, each District ICF/DD provider paid its top executive compensation ranging from \$39,999 to \$436,891.

ACTIVITIES OF THE AUDIT DIVISION

We additionally found that DHCF management did not adequately oversee the rate-setting process. Top level reviews of actual performance could have identified that reimbursement officials discontinued practices required by the State Plan and District regulations. In addition, a management review could have identified that reimbursement officials had no documentation to support the basis of the medians developed in 1996. More importantly, a top level review could have identified the potential impact of these failures in conjunction with the repeal of the requirement to rebase base-year data and medians. Such a review may have concluded that annual desk reviews and onsite audits were critical to identify and recoup unallowable costs.

As a result of our audit, we directed four recommendations to DHCF to correct identified deficiencies. We recommended that officials establish cost-containment controls, implement existing internal controls for performing audits of cost reports, provide adequate management oversight of the rate-setting process, and determine whether the rate-setting process resulted in excessive executive compensation to the ICFs/DD we did not include in our review. We identified \$6 million in cost savings resulting from the audit.

Audit of the Grant Agreement Between the Office of the Attorney General (OAG) and District of Columbia Bar Foundation (DCBF), OIG No. 09-2-06CB, October 1, 2009

This OAG requested we audit the grant. The audit objectives were to ensure that: (a) DCBF complied with applicable laws, regulations, and terms and conditions set forth in the grant agreement; (b) DCBF internal controls over grant funds were adequate to safeguard funds from fraud, waste, and abuse; and (c) the OAG adequately monitored DCBF activities relative to these programs. The grant's purpose was to administer the Civil Legal Services Grant Program and the Poverty Lawyer Loan Assistance Repayment Program.

The audit included a review of financial documents related to payroll, administrative functions, and other costs charged to the grant to ensure their reasonableness under the Civil Legal Services Grant Program and the Poverty Lawyer Loan Assistance Repayment Program for the period of January 2007 through December 2008. We concluded that overhead costs charged to the grant by DCBF were reasonable; disbursements and payments of grant funds identified no financial deficiencies between the OAG and DCBF; payroll costs of approximately \$1.3 million paid to 26 of 31 subgrantee lawyers were appropriate; and other expenditures appeared reasonable.

However, we identified four areas in which subgrant requirements were not always met and policies and procedures were not followed. We found that auditors or other District oversight bodies do not have a means to verify that the clients served through subgrant agreements meet residency and income requirements or that subgrant agreement requirements for serving a minimum number of clients were met. We also found that DCBF's Conflict of Interest Policy allowed DCBF board members and officials with

ACTIVITIES OF THE AUDIT DIVISION

potential conflicts of interest to remain in a board meeting while review and discussion on subgrantee applications were deliberated and voted on. Additionally, the D.C. Code and DCMR provide guidance for carrying out the requirements of the Poverty Lawyer Loan Assistance Repayment Program. However, the laws and regulations lack sufficient specificity as to what constitutes eligible law school debt. Lastly, DCBF did not ensure that subgrantees adhered to the requirements contained in their subgrant agreements, which require the development of a plan to train new lawyers and maintain adequate documentation of training received for each lawyer under the Civil Legal Services Grant Program.

We issued 12 recommendations to the OAG to correct the noted deficiencies. First, we recommended modifying future Civil Legal Services Grant Program grant agreements to include language requiring clients to sign a consent form that: allows client intake documents to be made available for audit purposes; requires certification by the subgrantee that clients meet established eligibility requirements; and requires certification by the subgrantee that the minimum number of clients have been served. We also recommended modifying future Civil Legal Services Grant Program grant agreements to define “eligible clients” and establish consistent guidelines for poverty level and residency eligibility. Finally, we recommended that OAG require DCBF to ensure that subgrantees adhere to subgrant agreement mandates regarding training and documentation of training files for new lawyers. The OAG generally agreed with our recommendations.

SPENDING AND EFFICIENT USE OF RESOURCES

Audit of Contracting Actions at the Office of the Chief Technology Officer, OIG No. 08-2-06TO(a), September 15, 2010

The Chief Procurement Officer (CPO) and former Chief Technology Officer (CTO) requested the audit, which is the second of two audits¹ in response to their request. During fieldwork, the OIG received two complaints of improper contracting activities at OCP. We addressed the first complaint in our May 2009 report. This report addresses the second complaint (containing three allegations) of improper contracting with Delivering Business and Technology Solutions, Inc. (DBTS) and EastBanc Technology Solutions LLC (EastBanc) and includes our findings and recommendations related to those contracting activities.

This report is presented in four major sections and details our findings concerning management of the District of Columbia Supply Schedule (DCSS) program for IT services.

¹ See *Audit of Selected Contracting Actions at the Office of the Chief Technology Officer*, dated May 7, 2009 (OIG No. 08-2-06TO), available at <http://oig.dc.gov>.

ACTIVITIES OF THE AUDIT DIVISION

Specifically, we focused on the following issues: 1) rotation of opportunities among certified business enterprises (CBEs); 2) increased utilization of CBEs; 3) award of the DBTS contract; 4) insufficient contract monitoring; and 5) maintenance of contract documentation. Our report also discusses findings related to our cost analysis of DBTS (e.g., direct costs, indirect costs, fringe expenses, general overhead expenses, facility overhead expenses, general and administrative expenses, its employment agreement with a former owner, and excessive profit). Finally, we discuss our findings related to the three allegations and conclude with a listing of recommendations that, if implemented by management, should result in improvement to OCP operations.

Our audit showed that OCP did not effectively manage the DCSS program when contracting for IT services. Specifically, OCP did not: rotate opportunities among CBEs; increase the utilization of CBEs; determine cost reasonableness; monitor and enforce contractor compliance with contract terms and conditions, including enforcement of sanctions and penalties for noncompliance; and maintain required contract documentation. These conditions occurred because OCP did not: develop targets and standards for the rotation and utilization of CBEs; implement an automated management information system (MIS) to collect and report DCSS activity; set-aside opportunities for DCSS contractors and follow the priorities established by Title 27 of the District of Columbia Municipal Regulations (DCMR) for the use of supply sources; establish standard operating procedures; obtain certified cost or pricing data and comply with the DCMR requirement to perform a cost analysis; and adequately supervise and provide management oversight for the administration of the DCSS program.

In addition, OCTO did not provide adequate general contract administration for DCSS contracts. Specifically, contracting officer's technical representatives (COTRs) did not monitor whether DBTS complied with the contract terms and conditions regarding the use of subcontractors and advise OCP contracting officers accordingly.

As a result, 7 of 69 CBE IT service providers disproportionately received about 75 percent of \$94.1 million in contract payments over a 3-year period. Also, the District lost sales discount revenue that may total as much as \$501,677. Finally, the District lost about \$2.1 million to its local economy from the underemployment of District residents.

Our cost analysis revealed that the District paid unreasonable contract prices for IT services, which allowed DBTS to make \$602,411 in excessive profit over a 2-year period. Also, based on our sample results, we estimated that DBTS was paid approximately \$2.5 million over a 2-year period for invoices that are unsupported.

We were unable to substantiate the three allegations of improper contracting activities within OCP due to a lack of available procurement records and an accurate procurement MIS.

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However, we determined that seven DCSS IT services contractors received a disproportionate amount of contract payments over a 3-year period.

We issued 11 recommendations to the CPO and 3 recommendations to the CTO. The recommendations primarily centered on, developing and implementing an automated MIS to improve the administration and management of CBEs contracts; improving communication by defining the responsibilities of all parties involved in enforcing contractor compliance with contract terms and conditions; establishing procedures to reinforce compliance with District laws and procurement regulations; and improving the administration of contracts. We identified \$5.6 million in cost savings resulting from the audit.

SUPPORT SERVICES

Audit of the Management Operations of the Office of Cable Television, OIG No. 08-1-19CT, December 17, 2009

The Executive Office of the Mayor requested the audit after receiving allegations of management improprieties at the Office of Cable Television (OCT). The audit found that OCT entered into a contract relative to high definition television (HDTV) infrastructure on a sole source basis, without adequate justification and reasonable assurance that the contractor could perform the contract requirements. This contract also violated OCT's internal operations policy on equipment and facilities usage and was inconsistent with responsible stewardship over District funds.

Additionally, OCT did not effectively monitor the performance of the contractor used for the design and installation of an HDTV production studio. For example, the former Executive Director of OCT approved payment of the contractor's invoices without adequate supporting documentation, resulting in expenditures of a significant portion of contract funds without deliverables being provided. The ineffectiveness of contract monitoring was due to poor internal controls relating to separation of duties and the absence of effective management oversight.

As a result of these deficiencies, we reported that OCT wasted over \$4 million for design, equipment, and installation of an HDTV production studio that was never built or installed, including the potential obsolescence of over \$3 million of HDTV equipment that was never used.

We issued four recommendations to the Executive Director of OCT to correct the deficiencies noted in this report. The recommendations, in part, centered on: (1) complying

ACTIVITIES OF THE AUDIT DIVISION

with the District procurement regulations; (2) complying with contract provisions relative to the duties and responsibilities of the Contracting Officers Technical Representative (COTR); (3) managing and monitoring agency assets and conducting annual inventories; and (4) developing a plan to liquidate or utilize the inventory items that were purchased for the HDTV production studio project. We identified \$4 million in cost savings resulting from the audit.

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

Payroll Verification Audit for the District of Columbia Public Schools (DCPS), OIG No. 08-2-02GA, July 30, 2010

The OIG performed this audit after concerns were raised during the FY 2006 CAFR. These concerns, along with other issues within the District government, were addressed in the *Independent Auditors' Report on Internal Control and Compliance Over Financial Reporting for FY 2006* (OIG No. 07-1-05MA, dated January 31, 2007). Our audit objective was to determine whether payroll check recipients were current, bona fide employees of the DCPS or affiliated offices whose employees were paid through DCPS' payroll (e.g., the Office of Public Education Facilities Modernization and the DCPS Division of Transportation).

Our review covered the individuals who received payments on November 23, 2007, for the pay period beginning October 28, 2007, and ending November 10, 2007. We conducted a physical verification and reviewed personnel files to determine if payroll recipients were current, bona fide employees. During the audit, we briefed DCPS management to update them on the audit progress. We also briefed the firm that audited the District's financial statements for FYs 2005 through 2009. Our audit report contains two findings that detail the conditions found during our fieldwork.

Finding 1 contains the results of our efforts to account for the 10,358 individuals who were paid on November 23, 2007. During our physical verification, we confirmed that 8,357 of

ACTIVITIES OF THE AUDIT DIVISION

the 10,358 individuals were current, bona fide District employees. There were legitimate reasons why we could not physically verify some individuals. For example, some individuals may have been absent when we visited their schools or administrative offices and some individuals may have stopped working for DCPS prior to our visit. Accordingly, we judgmentally selected a sample of 282 of the unverified individuals and reviewed their personnel files to determine if they were bona fide employees for the pay period ending November 10, 2007. Based on our review, we concluded that 110 individuals were either not bona fide employees or could not be verified as such. Thus, DCPS possibly improperly paid these 110 individuals by as much as \$399,140.

Our second finding concerns the internal control deficiencies that we observed during our physical verification audit. Specifically, DCPS did not develop adequate controls to ensure that the Comprehensive Automated Personnel and Payroll System (CAPPS) contained accurate information and timekeepers could not falsify their own working hours in the system. As a result, former and current employees could have received inappropriate payments. Further, we were unable to validate individuals as bona fide employees because their personnel files could not be located, or their files did not contain personnel action forms. Although DCPS replaced CAPPS with the PeopleSoft Human Capital Management System in April 2009, the deficiencies that we identified will continue to exist until DCPS implements adequate controls.

As a result of our audit, we directed six recommendations to the DCPS Chancellor to correct identified deficiencies. We recommended that the Chancellor develop procedures to prevent individuals from inappropriately receiving payments and recoup funds that should not have been paid. DCPS officials provided a written response to the draft report and concurred with the recommendations.

STIMULUS SPENDING

In FY 2010, the OIG initiated an audit of the District Department of Transportation's expenditure of American Recovery and Reinvestment Act Funds for transportation projects, which will be completed in FY 2011.

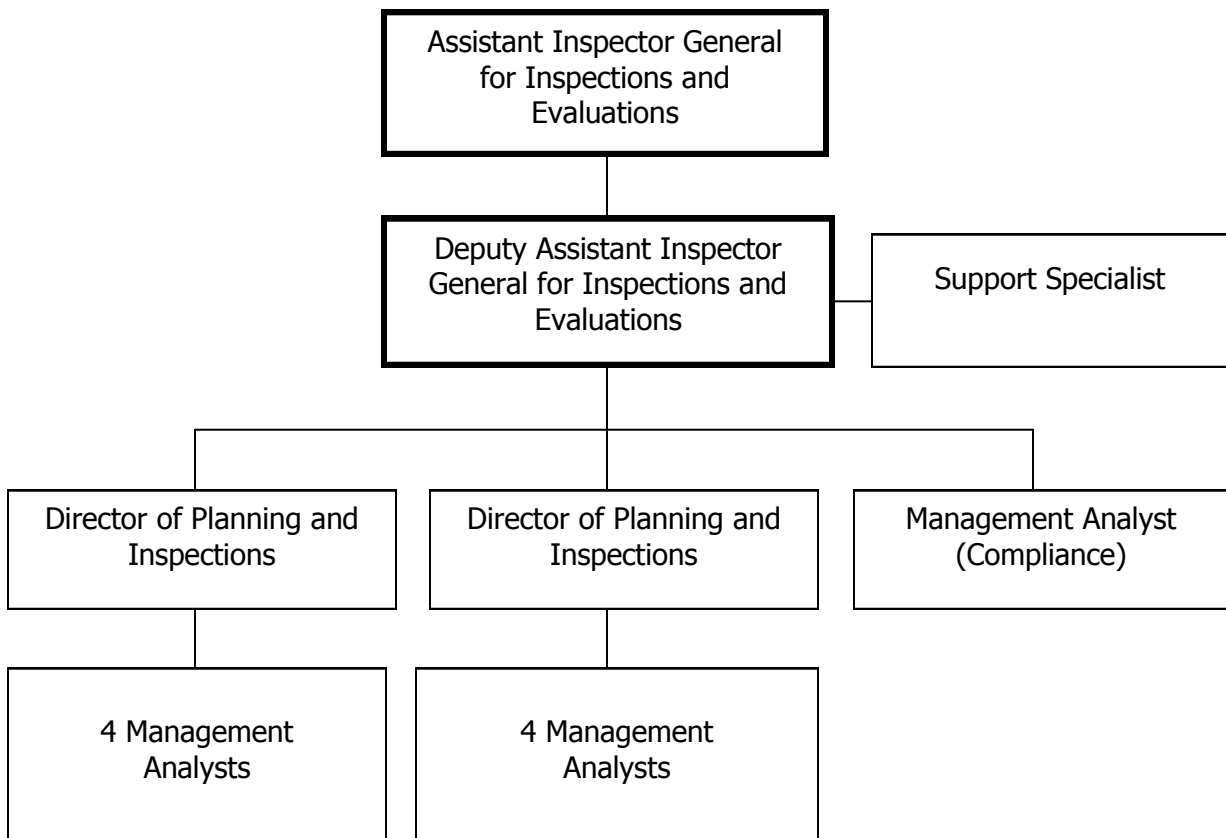
ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION

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 2010



ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION

I&E is responsible for conducting inspections of District government agencies and programs. An OIG inspection is a process that evaluates, reviews, and analyzes the management, programs, and activities of a District department or agency in order to provide information and recommendations that will assist managers in improving operations, programs, policies, and procedures. Inspections provide senior managers with an independent source of factual and analytical information about vital operations, measuring performance, assessing efficiency and effectiveness, quality assurance procedures, and identifying areas of mismanagement, fraud, waste, and abuse. Inspection results are published in Reports of Inspection (ROI), Management Alert Reports (MARs), and Management Implication Reports (MIRs). The OIG provides a MAR to inform agency management of a matter that surfaced during an inspection that requires the immediate attention of the head of an agency or department. Similarly, the OIG issues a MIR on a matter of priority concern that affects, or has the potential to affect, multiple District agencies. The findings developed during inspections may also lead to recommendations for OIG investigations or audits. Finally, I&E conducts re-inspections and has an ongoing compliance program to monitor agency compliance with recommendations presented in I&E reports.

CREDENTIALS AND QUALIFICATIONS

I&E has nine 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 in FY 2010. I&E met its goal. See Appendix H.

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.

ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION

INSPECTION ACTIVITIES AND REPORTS ISSUED

Inspections can take from 6 months to a year, depending on the size of the inspected agency, the complexity of the issues, and the inspection resources available. Recommendations made to agency and department heads call for corrective measures to improve operations, address deficiencies, and ensure that District and federal laws, regulations, and policies are followed.

In FY 2010, I&E initiated inspections of the Office of Unified Communications and the Department on Disability Services' Developmental Disabilities Administration. I&E also started a re-inspection of the Department of Health's Health Regulation & Licensing Administration; a report of re-inspection will be issued in FY 2011. I&E analysts conducted fieldwork related to ongoing projects in the Metropolitan Police Department; the Department of Employment Services' Office of Unemployment Compensation; the Department of Health's Addiction Prevention and Recovery Administration; the Department of Human Services' Adult Protective Services; and the Child and Family Services Agency's Child Protective Services. Reports documenting the full results of fieldwork at these agencies will be published in FY 2011.

The following are synopses of the 10 reports issued during FY 2010. The number of findings and recommendations resulting from each report appear in Appendix I.

Metropolitan Police Department (MPD)
Management Alert Report 10-I-001
Youth Investigations Division: Service Weapons Poorly Secured at the Juvenile Processing Center; Inadequate Policy, Procedures for Reporting and Investigating Missing Weapons
(Report Published January 21, 2010)

While conducting a special evaluation of MPD's Youth Investigations Division (YID), I&E analysts observed that, due to the absence of adequate procedures, MPD officers assigned to the Juvenile Processing Center (JPC) of the Department of Youth Rehabilitation Services' Youth Services Center, were unable to ensure that firearms brought into the facility by MPD and other law enforcement officers were properly accounted for and secured in lock boxes located in the facility's vehicle port. The OIG also concluded that MPD's general order pertaining to service weapons lacked detailed guidance and instructions that an officer and members of his/her command structure should follow in the event that his/her service weapon is lost or stolen. The OIG recommended, among other things, that the JPC develop and implement explicit JPC lock box procedures and procedures for reporting and investigating missing service weapons. The OIG also recommended that the Chief of Police evaluate the adequacy and use of firearm lock boxes in other MPD facilities. (The MAR and

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MPD's two responses are posted in the January 2010 section of the I&E report archive at <http://oig.dc.gov>. A report of special evaluation of YID will be published in FY 2011.)

**Public Service Commission (PSC)
Report of Inspection (10-I-0033DH)
(Report Published February 2, 2010)**

PSC regulates utilities in the District and its mission is to “serve the public interest by ensuring that financially healthy electric, natural gas, and telecommunications companies provide safe, reliable and quality utility services at reasonable rates....”¹ I&E's inspection focused on PSC's role in utility safety, reliability, customer complaint resolution, and consumer education. The team found deficiencies in both Miss Utility/One Call and Pipeline Safety Program site inspections because enforcement actions were limited to verbal warnings and inspections were not conducted throughout the year. The team also found that participation in the District's utility discount programs was low, and that PSC had not proactively addressed electricity reliability concerns. The ROI presented 13 findings and 19 recommendations; PSC agreed with 13 of the 19 recommendations. (The ROI, which includes PSC's responses to the findings, may be found in the February 2010 section of the I&E report archive at <http://oig.dc.gov>.)

**Alcoholic Beverage Regulation Administration (ABRA)
Report of Special Evaluation (10-I-0034LQ)
(Report Published March 18, 2010)**

ABRA licenses qualified applicants to serve or sell alcoholic beverages, works to prevent the sale of alcoholic beverages to underage individuals, and takes enforcement action when a business violates District alcoholic beverage control law. This special evaluation was conducted following a request from a former ABRA director. During the course of the special evaluation, I&E issued three MARs to inform agency management that: (1) sensitive license application information was not properly secured; (2) ABRA lacked investigative policies and procedures to avoid conflicts with MPD criminal investigations; and (3) alcoholic beverage control license applicants were not required to undergo national criminal background checks. The team also found that ABRA had not developed policies and procedures to direct employees in processing license applications. The report of special evaluation presented nine findings and eight recommendations; ABRA agreed with seven of the eight recommendations. (To read the MARs and ABRA's responses, visit the August 2008, March 2009, and June 2009 sections of the I&E report archive at <http://oig.dc.gov>. To

¹ [Http://www.dcpsec.org/abt/mission.asp](http://www.dcpsec.org/abt/mission.asp) (last visited Oct. 22, 2010).

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read the report of special evaluation, which includes ABRA's responses to the findings, visit the March 2010 section of the archive.)

**Homeland Security and Emergency Management Agency (HSEMA)
Report of Inspection (10-I-0035BN)
(Report Published April 22, 2010)**

HSEMA's mission is to "manage the District's emergency operations to prevent, respond to, and recover from natural and man-made emergencies."² In part, HSEMA is responsible for emergency response training, exercises, and public awareness and outreach program. During inspection fieldwork, the I&E team learned that Department of Public Works (DPW) employees had not been able to determine the operational availability of emergency power generators maintained by District agencies and offices designated as Emergency Support Function agencies. The OIG communicated its findings to the Office of the City Administrator and DPW in a Management Implication Report (MIR 09-I-001) dated January 16, 2009, to enable District officials to take corrective measures before the January 20, 2009, Presidential Inauguration, if necessary. The inspection's key findings were that HSEMA did not have a finalized written training and exercise plan for emergency preparedness training, and "After Action" reports and improvement plans were not always developed and implemented following emergency preparedness exercises. The ROI presented five findings and five recommendations; HSEMA agreed with two of the five recommendations. (MIR 09-I-001 and DPW's response are found in the April 2009 section of the I&E report archive at <http://oig.dc.gov>, and the ROI, which includes HSEMA's responses to the findings, is posted in the April 2010 section of the archive.)

**Department of Human Services (DHS)
Adult Protective Services Division
Management Alert Report 10-I-002
*Sensitive and Legally-Protected Information Not Secured; Social Workers
Not Able to Maintain Privacy When Discussing Confidential Client Information*
(Report Published April 27, 2010)**

During fieldwork for this inspection, the I&E team observed that Adult Protective Services Division (APS) employees: (1) were not properly safeguarding case file documents bearing sensitive and legally-protected information; and (2) were not able to maintain privacy when discussing confidential client information due to the open configuration of their office space.

²

http://www.dcema.dc.gov/dcema/cwp/view,a,3,q,531996,dcemaNav_GID,1531,dcemaNav,%7C31868%7C,.asp (last visited Oct. 22, 2010).

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The MAR recommended, among other things, that the DHS Director ensure that APS immediately identify and safeguard client and case information from unauthorized use, and develop and disseminate to all APS employees policies and procedures that address the security, handling, and storage of confidential and legally-protected information. In response, DHS indicated it obtained locking file cabinets; held meetings with employees to review the OIG observations presented in the MAR; and was developing policies and procedures for securing client information and case documents. (To read the MAR and DHS's response, visit the April 2010 section of the I&E report archive at <http://oig.dc.gov>. The APS ROI will be published in FY 2011.)

**Department of Real Estate Services (DRES)
Protective Services Police Department
Report of Special Evaluation (10-I-0036AM)
(Report Published May 14, 2010)**

DRES's Protective Services Police Department (PSPD) is charged with providing security and law enforcement services in District-owned and -leased property. The objectives of this special evaluation were to assess the quality of internal control established by management, quality and effectiveness of personnel management, and the effectiveness and efficiency of key operations. The team found that: (1) some PSPD officers did not have all of the necessary protective equipment; and (2) security posts at numerous District-owned and -leased facilities did not have official written post orders, i.e., detailed instructions on how to execute tasks at a specific location. (Both of these issues were cited in MARs published by I&E in FY 2009.) The team also concluded that some officers did not have the required training to carry out their job duties; officers were not re-qualifying with their firearms as required by PSPD policy; background investigations for officers were not thoroughly documented or vetted; and frontline employees found policies and procedures insufficient and out-of-date. The ROI made 21 recommendations. DRES agreed with 18 of the recommendations. (To read the MARs that were issued to DRES, then known as the Office of Property Management, and their responses, go to the January and March 2009 sections of the I&E report archive at <http://oig.dc.gov>. To read the report of special evaluation, which includes DRES's responses to the findings, visit the May 2010 section of the archive.)

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Metropolitan Police Department; Child and Family Services Agency
Management Alert Report 10-I-003
MPD Officers' Responses to Suspected Child Abuse and Neglect
Hindered by Policy and Training Deficiencies
(Report Published June 30, 2010)

As a result of fieldwork pertaining to the special evaluation of MPD's Youth Investigations Division (YID), I&E observed that MPD patrol officers lacked comprehensive policy and procedures on recognizing and reporting indicators of child abuse and neglect. While there were several MPD policies that included limited information on child abuse and neglect, they did not include legal definitions, indicators of abuse and neglect, instructions on how to document suspected child abuse and neglect, or a requirement that officers notify the Child and Family Services Agency (CFSA) as required by the D.C. Code. The MAR also noted that MPD does not adequately train officers to recognize and report indicators of child abuse and neglect. The OIG was concerned that, as a result of the conditions cited in the MAR, child abuse and neglect cases may go unreported, many of which may warrant investigation and intervention by CFSA to ensure children's safety.

In response to the MAR recommendations, MPD indicated it would develop and publish a comprehensive directive regarding child abuse and neglect, and incorporate the directive into training delivered to both MPD's new recruits and veteran officers. (The MAR and MPD's response are posted in the June 2010 section of the I&E report archive at <http://oig.dc.gov>. A report of special evaluation of YID will be published in FY 2011.)

Department of Health (DOH)
Health Regulation and Licensing Administration
Management Alert Report 10-I-004
DOH Not Complying with District Law That Requires Health Professional License
Applicants to Undergo a Criminal Background Check
(Report Published August 30, 2010)

During fieldwork related to re-inspection of DOH's Health Regulation and Licensing Administration (HRLA), I&E learned that HRLA had not implemented the Licensed Health Professional Criminal Background Check Amendment Act of 2006 (Act), which became District law effective March 6, 2007. In short, the Act mandates successful completion of a criminal background check prior to issuance of a license or registration to a health professional. HRLA oversees the licensure of nearly 50,000 health professionals, including addiction counselors, dentists, massage therapists, nurses, pharmacists, physicians, and social workers. DOH projected HRLA would conduct 8,400 background checks during FY 2010 and 22,000 checks in FY 2011. As of August 2010, HRLA had not required criminal background checks of any individuals applying for health professional licenses.

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Furthermore, the re-inspection found that the Act's enforcement would continue to be significantly delayed. The re-inspection team recommended that the DOH Director create a detailed implementation plan that includes milestone completion dates for key tasks and identifies any additional staff, equipment/resources, and/or input and cooperation from relevant District entities necessary to comply fully with the Act. (To view the MAR and DOH's responses to it, visit the August 2010 section of the I&E report archive at <http://oig.dc.gov>. A report of re-inspection of HRLA will be published in FY 2011.

Executive Office of the Mayor – Office of the City Administrator
Management Implication Report 10-I-001
Inadequate Safeguarding of Sensitive Employee, Customer, and Client Information
in District Agencies: A Recurrent Failure
(Report Published September 2, 2010)

I&E published this Management Implication Report (MIR) subsequent to the issuance of MAR 10-I-002, *Sensitive and Legally-Protected Information Not Secured; Social Workers Not Able to Maintain Privacy When Discussing Confidential Client Information*. Since February 2000, the OIG has issued 17 reports with findings pertaining to District agencies' failure to properly safeguard documents and information. In an effort to address this persistent operational weakness and mitigate the potential for future loss or misuse of information, the OIG recommended, among other things, that the City Administrator: (1) collaborate with the Office of Risk Management, the Department of Human Resources, and other key agencies to promulgate District-wide information security policies and procedures; and (2) direct District agency heads to designate an information security official in their respective agencies to monitor the handling, maintenance, and proper disposal of sensitive information. (The MIR and the City Administrator's response to it may be viewed in the September 2010 section of the I&E report archive at <http://oig.dc.gov>.)

Department on Disability Services (DDS)
Report of Inspection (10-I-0037JM)
(Report Published September 16, 2010)

The objectives of the inspection were to evaluate the sufficiency, quality, and efficiency of rehabilitative services provided to individuals with disabilities. The team focused primarily on the Vocational Rehabilitation Services Division within DDS's Rehabilitative Services Administration (RSA), which assists persons with disabilities obtain and maintain employment and otherwise achieve self-sufficiency and independence within the community. The team found that case management timeliness requirements were often not met; there had been a decrease in the number of RSA clients obtaining and maintaining employment; there

ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION

were no caseload standards for RSA counselors; and RSA's management information system could not track all programs or produce key performance data reports. The ROI made 12 findings and 18 recommendations. DDS agreed with 17 of the 18 recommendations. (To read the ROI, which includes DDS's responses to the findings, visit the September 2010 section of the I&E report archive at <http://oig.dc.gov>.)

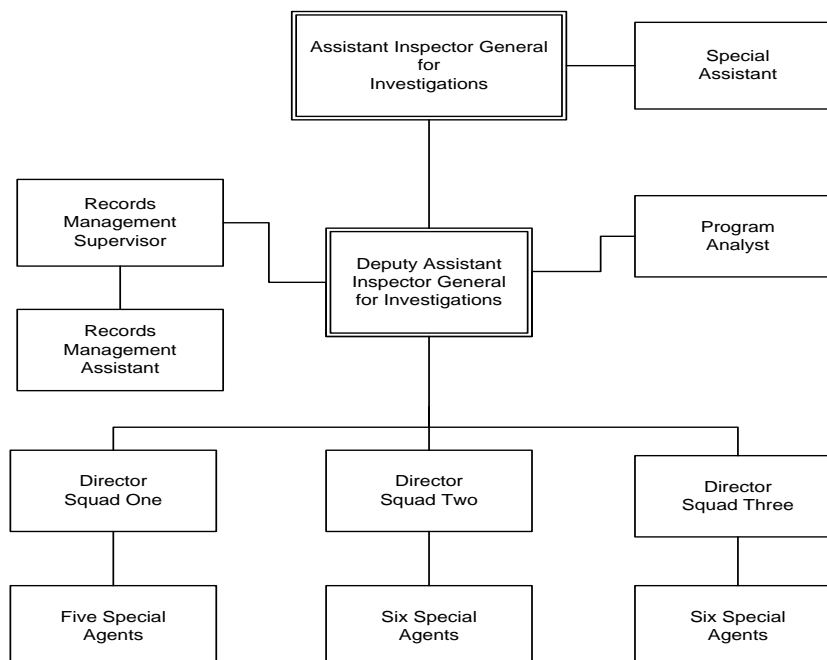
ACTIVITIES OF THE INVESTIGATIONS DIVISION

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 Program Analyst who is responsible for the effective operation of the Hotline and Referral Programs. The Hotline is staffed by special agents on a rotating basis.

OIG Investigations Division September 30, 2010



The ID consists of 26 employees, including 6 managerial/supervisory personnel, 17 special agents, 1 special assistant, and 2 support staff members. 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 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

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agencies such as the Federal Bureau of Investigation (FBI), the Drug Enforcement Administration, federal and 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 the prosecutor, 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. Based on the adequacy of the response, the ID 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.

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

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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 (e-mail) 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 identity 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 – 2-540). 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 J provides a statistical comparison of actual FY 2010 performance of these functions with target goals. In FY 2010, the ID exceeded its target goals in all three performance measures. Appendix K reflects a separate statistical accounting of a variety of ID accomplishments and compares that accounting with the previous 3 fiscal years.

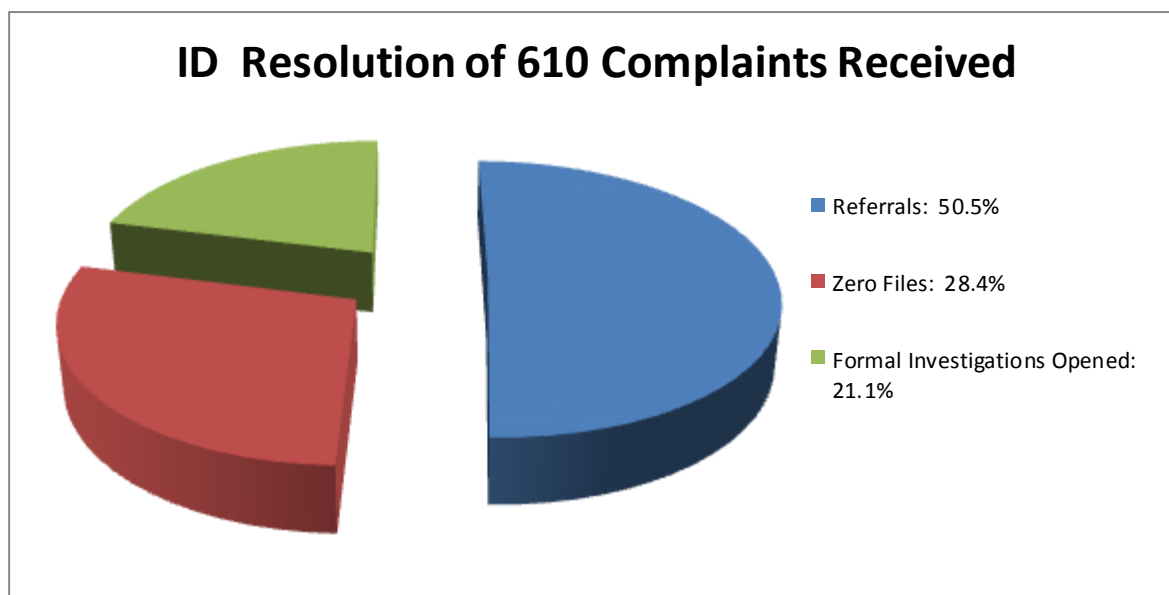
INVESTIGATIVE WORKLOAD AND PRIORITIES

During FY 2010, the ID processed 610 new complaints. Of those 610 new complaints, 129 were opened as formal investigations, including 74 criminal investigations, 8 administrative investigations, and 47 preliminary investigations. In addition, of the 610 new complaints, 308 were referred to agency heads for action, and 173 were closed without further action (or placed in a "Zero file"). During FY 2010, ID special agents conducted 6 searches pursuant to the OIG's administrative authority or a search warrant and 350 subpoenas were issued to further the ID's investigations. Thirty-three arrests were made as a result of OIG criminal investigations and six people were indicted. In addition to the prosecutorial activity

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described below, ID investigations resulted in administrative sanctions against five District government employees because of their misconduct.

The chart below reflects the proportionate resolution of 635 new complaints received in FY 2009.



Each special agent maintains an average caseload of 10 to 15 formal investigations. This is a high workload 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 (EOM), 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 2010, the ID closed 116 formal investigations. The formal investigations closed include 9 that resulted in a criminal conviction of at least 1 person, 8 that resulted in substantiated administrative violations, and 19 that resulted in a referral, notification, or request for action to the agency. Appendix L details the number of cases closed by agency.

HOTLINE USAGE

Detailed OIG Hotline statistics are included in Appendix M. 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 2010, the OIG received a total of 155 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 some of the significant cases the OIG has investigated have resulted from calls. The OIG also receives reports of government corruption, waste, fraud, and abuse via mail, e-mail, 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 § 2-302.08(a)(3)(F)(ii) (Supp. 2010). In FY 2010, the OIG presented 48 cases to the USAO for possible prosecution. Of these, 26 cases were accepted for further investigation, 19 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 22 convictions in FY 2010. In addition, 32 people were sentenced in FY 2010. The sentences included imprisonment, home

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detention, probation, fines, community service, and restitution. Sentences of imprisonment imposed in FY 2010 stemming from OIG investigations totaled 410 months.

RESTITUTION AND RECOVERIES

During FY 2010, individuals convicted as a result of ID investigations were ordered to pay a total of \$2,688,543.24 in restitution and an additional \$2,100.00 in fines.

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 8 ROIs in FY 2010 containing a total of 21 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 2010, the ID issued three MARs. Significant Activity Reports (SARs) are issued to notify the Mayor of convictions and sentences of District government employees and contractors. In FY 2010, the ID issued 14 SARs, which may be viewed at <http://www.oig.dc.gov>. The ID also issues Letters of Closure to notify agency heads of the conclusion of an investigation either because the matter was referred to the OIG by the agency head or there is a significant issue about which the agency head should be aware. In FY 2010, the ID issued six Letters of Closure. In FY 2010, the ID began issuing Investigative Referrals to District, and occasionally non-District, agencies to notify them of significant events, including interim events, in an investigation. The ID issued 24 Investigative Referrals in FY 2010. The ID also completed 27 Administrative Closures, which are reports prepared when an administrative investigation is closed without a substantiated finding, and 36 Criminal Closures, which are reports prepared when a criminal investigation is closed without a criminal conviction. Finally, the ID completed 13 Preliminary Investigation Closures, which are reports prepared when a preliminary investigation is closed without a substantiated finding.

PERSONNEL ACHIEVEMENTS

During FY 2010, ID Special Agent Derek Savoy received a U.S. Department of Justice award in recognition of his work on an investigation of two former Department of Human Services (DHS) vendors who misappropriated \$214,026 in vending commissions intended for blind vendors. In addition, former ID Special Agent Teddy Clark received a U.S.

ACTIVITIES OF THE INVESTIGATIONS DIVISION

Department of Justice award in recognition of his work on an investigation of an individual who participated in a fraud scheme to obtain \$77,680 in unemployment compensation benefits, using social security numbers she knew were assigned to other individuals. Each award was presented at the USAO Thirtieth Annual Law Enforcement Awards Ceremony.

Finally, during FY 2010, ID Special Agent David Stupar received an award from the U.S. Attorney's Office for the District of Maryland in recognition of his work on an investigation of 12 participants involved in a scheme to steal and cash more than \$100,000 in U.S. Treasury checks using numerous counterfeit identification documents, including District government employee identification cards and Commercial Drivers' Licenses.

SIGNIFICANT INVESTIGATIONS

Four Former Office of the Chief Technology Officer (OCTO) Employees Convicted and Sentenced in a Bribery and Kickback Scheme

The OIG, working jointly with the FBI, conducted an investigation which revealed that between September 2005 and March 2009, the former OCTO Acting Chief of Security accepted bribes from the president of an OCTO contractor in exchange for: improperly favoring the president and his companies for the award of OCTO contracts; ensuring the approval of contractors proposed by the president and his companies; approving false and inflated time sheets and invoices for the president's employees; and falsely certifying the receipt of software purchased through the president and his company.

On December 18, 2009, the former Acting Chief of Security pled guilty to Bribery of a Public Official (18 U.S.C. § 201) and Engaging in Monetary Transactions in Property Derived from Specified Unlawful Activity (18 U.S.C. § 1957). On August 12, 2010, the former Acting Chief of Security was sentenced to 2 concurrent terms of 27 months in prison, 3 years of supervised release, and payment of \$558,978.50 in restitution. On April 27, 2010, both the president and his company pled guilty to Bribery of a Public Official (18 U.S.C. § 201) and Engaging in Monetary Transactions in Property Derived from Specified Unlawful Activity (18 U.S.C. § 1957). On August 6, 2010, the president was sentenced to 2 concurrent terms of 20 months in prison and 3 years of supervised release. The president and his company also were ordered to pay \$844,765.50 in restitution.

Another former OCTO employee pled guilty on November 13, 2009, to Conspiracy to Commit Wire Fraud (18 U.S.C. § 1349). On August 12, 2010, that former OCTO employee was sentenced to 14 months in prison, 3 years of supervised release, payment of \$156,807 in restitution, and forfeiture of \$46,647.50. In addition, on August 13, 2009, a former employee of the OCTO contractor pled guilty to Conspiracy to Commit Wire Fraud (18 U.S.C. § 1349). On April 16, 2010, the former employee of the OCTO contractor was sentenced to 24 months of probation, 80 hours of community service, and ordered to pay \$124,000.00 in restitution.

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Finally, a former OCTO Program Financial Manager pled guilty on September 17, 2009, to Unlawful Supplementation of Government Salary (18 U.S.C. § 209) for accepting money from the president as consideration for allowing the president to use the former OCTO Program Financial Manager's password to access OCTO data. On December 10, 2009, the former OCTO Program Financial Manager was sentenced to 24 months of probation and 100 hours of community service.

Former DHS Employee Submitted Forged and Fraudulent Documents to Obtain Administrative Leave with Pay

The OIG conducted an investigation which revealed that a former DHS employee submitted forged and fraudulent letters purporting to be from the Superior Court of the District of Columbia and the USAO to her supervisor, and claiming that she had both served and was being called as a witness in a court case, respectively. On August 10, 2010, the former DHS employee pled guilty to Attempted Uttering (22 D.C. Code § 3241) and was sentenced on September 21, 2010, to 180 days in prison (suspended), 12 months of probation, 40 hours of community service, 6 months of mandatory drug testing, and payment of \$493.30 in restitution.

Former OIG Employee Convicted and Sentenced for Falsely Stating on Documents Submitted to the D.C. Government that She was a D.C. Resident

The OIG conducted an investigation which revealed that an OIG Staff Assistant falsely stated on documents submitted to the D.C. government that she was a D.C. resident. On a job application filed December 13, 2007, and a Residency Preference Form submitted with her application, the former OIG Staff Assistant stated that she was a D.C. resident when, in fact, she resided in Maryland. On May 10, 2010, the former OIG Staff Assistant pled guilty to False Statements (D.C. Code § 22-2405(a)). On July 30, 2010, the former OIG Staff Assistant was sentenced to 180 days in prison (suspended), 12 months of probation, 100 hours of community service, and payment of \$3,403.44 in restitution. The former OIG Staff Assistant was terminated from her position in March 2010.

Two Participants in a Scheme to Negotiate Fraudulently District and U.S. Treasury Checks Convicted and Sentenced

Working jointly with the U.S. Postal Inspection Service, the U.S. Secret Service, and the U.S. Postal Service OIG, the OIG conducted an investigation which revealed that a former U.S. Postal Service mail carrier, working with others, engaged in a scheme to steal and negotiate District and U.S. Treasury checks. After stealing the checks from the U.S. mail, the former mail carrier provided them to individuals who negotiated them by using fraudulent forms of government identification bearing the names, addresses, and dates of birth of the intended recipients of the checks. On June 2, 2010, the former mail carrier pled guilty to Conspiracy

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to Commit Mail Fraud (18 U.S.C. §§ 1341 and 1349) and Theft of Mail by a Postal Service Employee (18 U.S.C. § 1709). On August 12, 2010, the former mail carrier was sentenced to 25 months in prison, 3 years of supervised release, and payment of \$134,416.27 in restitution.

Three other participants in the scheme also pled guilty to Conspiracy to Commit Mail Fraud (18 U.S.C. §§ 1341 and 1349). On September 21, 2010, one of those participants was sentenced to 35 months of probation, 80 hours of community service, and payment of \$1,972.31 in restitution. On October 6, 2010, a third participant was sentenced to 42 months in prison, 36 months of supervised release, and payment of \$134,416.27 in restitution. Finally, on October 7, 2010, a fourth participant was sentenced to 36 months of probation and payment of \$3,658.73 in restitution.

Two District Government Employees Convicted and Sentenced for Fraudulently Receiving Unemployment Insurance Benefits

An OIG investigation revealed that between October 2007 and November 2009, a Department of Youth Rehabilitation Services (DYRS) employee fraudulently received \$7,956.00 in unemployment insurance benefits from the Department of Employment Services (DOES) while working full-time for DYRS. On September 13, 2010, the DYRS employee pled guilty to First Degree Fraud (D.C. Code § 22-3221(a)) and was sentenced to 90 days in prison (suspended), 27 months of supervised probation, and payment of \$7,956.00 in restitution.

A second OIG investigation revealed that between June 2006 and December 2006, an Office of the State Superintendent of Education (OSSE) employee fraudulently received \$5,803.00 in unemployment insurance benefits from DOES while employed with OSSE. On September 24, 2010, the OSSE employee pled guilty to First Degree Fraud (D.C. Code § 22-3221(a)) and was sentenced to 180 days in prison (suspended), 60 months of probation, and payment of \$5,803.00 in restitution.

Additional Participants in a Scheme to Obtain Fraudulent Drivers' Licenses Sentenced

The OIG and FBI conducted an investigation which revealed that a former Department of Motor Vehicles (DMV) employee had accepted thousands of dollars in bribes in exchange for fraudulently issuing more than 200 drivers' licenses to ineligible foreign nationals. From August 2006 through January 2008, the former DMV employee issued facially valid drivers' licenses to ineligible individuals without verifying their names, social security numbers, immigration status, or D.C. residency. The former DMV employee and a number of those who paid money to obtain fraudulent drivers' licenses pled guilty and were sentenced in prior fiscal years. During FY 2010, seven additional participants pled guilty and were sentenced. Four of those participants pled guilty to Fraud in the Second Degree (D.C. Code § 22-

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3221(b)), two of them pled guilty to Bribery (18 U.S.C. § 201), and one pled guilty to Payment of a Gratuity (18 U.S.C. § 201). The seven participants received sentences including 180 days in prison (suspended), probation, home detention, and supervised release.

Former Department of Consumer and Regulatory Affairs (DCRA) Employee Convicted and Sentenced for Conflict of Interest

The OIG, working jointly with the FBI, conducted an investigation which revealed that between February 1, 2007, and January 31, 2008, during the performance of his official duties, a former DCRA Plumbing Inspector, also a Master Plumber who owned a private plumbing business, approved and issued a DCRA Certificate of Inspection for plumbing work performed by the plumbing service business he owned. On June 30, 2009, the former DCRA Plumbing Inspector pled guilty to federal Conflict of Interest (18 U.S.C. § 208). On September 25, 2009, the former DCRA Plumbing Inspector was sentenced to 24 months of supervised probation and 24 hours of community service.

Former DYRS Director Allowed DYRS Employees to Transport Three Youth Offenders Without Following Proper Security Procedures

The OIG conducted an investigation which revealed that on May 27, 2008, a former DYRS Director allowed DYRS employees to take three youth offenders outside the secure perimeter of a DYRS facility, for a cook-out at his home, without following proper security procedures. The OIG investigation further revealed that after one of the youth offenders escaped from the former DYRS Director's home, the former DYRS Director permitted a substantial delay in reporting the escape to MPD. As a result, the former DYRS Director violated provisions of the District Personnel Manual (DPM) and DYRS written policies and procedures. The OIG recommended to the City Administrator that the agency reinforce the importance of following appropriate security procedures at all times.

Office of Unified Communications (OUC) Director Violated District Rules Regarding Use of a District Vehicle

The OIG conducted an investigation which revealed that on December 29, 2009, the OUC Director was involved in a vehicle accident in Arlington, Virginia, while engaged in off-duty, personal use of a District government vehicle. The OUC Director's off-duty, personal use of the District government vehicle violated D.C. Code § 50-204(a), three sections of the DPM, Mayor's Order 2009-210, the Consolidated Appropriations Act, 2010, and the OUC Vehicle Operator's Accountability Policy. The OIG recommended to the City Administrator that the conduct of the OUC Director be addressed appropriately and that the OUC Director be required to comply with District rules regarding use of a District vehicle, including requirements that the vehicle be used only for official government duties and that vehicle usage logs be maintained for all use. On August 5, 2010, the City Administrator issued a memorandum to

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all agency directors entitled “Use of Government Vehicles” to supplement Mayor’s Order 2009-210. The memorandum details the rules regarding the use of government vehicles.

Child and Family Services (CFSA) Acting Program Manager Forged a Signature on Funding Documents

An OIG investigation revealed that a CFSA Acting Program Manager in the Contracts and Procurement Administration forged the signature of the agency’s former Agency Chief Contracting Officer (ACCO) on eight FY 2006 funding documents. The funding documents were submitted to the CFSA Deputy Director for Program Operations and the CFSA Agency Fiscal Officer to authorize vendor payments for services provided pursuant to a District contract. Two other CFSA employees, a Quality Assurance Specialist and a Contract Specialist, observed the Acting Program Manager practicing the former ACCO’s signature and then observed her forge the signature on the funding documents. The Acting Program Manager’s conduct violated three sections of the DPM, and by failing to report the Acting Program Manager’s conduct, the Quality Assurance Specialist and the Contract Specialist each violated one section of the DPM.

The OIG recommended to the CFSA Director that the conduct of all three employees be addressed with appropriate administrative action and that all CFSA employees be reminded of their responsibilities to report all information regarding waste, fraud, and abuse to the OIG. By letter dated March 30, 2010, the CFSA Director reported that CFSA took corrective actions, including the following: (1) Letters of Warning issued to all three employees; (2) the Acting Program Manager was reassigned to another position; and (3) CFSA hired an experienced ACCO to provide extensive leadership and direction. In addition, the CFSA Director reported that the three employees will be required to review pertinent DPM sections and take ethics training, and all CFSA employees will be reminded to report all information regarding waste, fraud, and abuse to the OIG.

OUC Dispatcher was Inattentive to Her Duties, Which Jeopardized the Safety of an MPD Police Officer

The OIG conducted an investigation which revealed that on April 11, 2008, an OUC Dispatcher failed to attend, in a timely manner, to a police officer’s radio transmission because she was engaged in an inappropriate and personal telephone conversation with another OUC employee, who was off-duty. The OUC Dispatcher’s conduct violated four sections of the DPM. The OIG recommended to the OUC Director that the Dispatcher’s conduct be addressed with appropriate administrative action, that all OUC personnel be trained on how their jobs directly impact the safety of the MPD personnel with whom they interact via radio transmission, and that OUC create and implement a comprehensive policy and procedure manual.

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Department of Health (DOH) Bureau Chief Inappropriately Released the Personal Medical Information of a Dog Walker Who Had a Matter Before DOH

The OIG conducted an investigation which revealed that a DOH Bureau Chief inappropriately released the personal medical information of a dog walker who had been bitten by a dog owned by someone else. The matter was before DOH for an administrative hearing and the DOH Bureau Chief had access to the dog walker's medical records relating to her treatment for the dog bite, which contained unrelated medical information. The DOH Bureau Chief revealed the dog walker's personal medical information to the owner of the dog she had been walking, in an effort to convince the dog owner to settle the administrative case. The OIG investigation determined that the DOH Bureau Chief's conduct violated one section of the DPM.

The OIG recommended to the DOH Director that the agency address the DOH Bureau Chief's conduct with appropriate administrative action, create written internal regulations and procedures regarding the handling of sensitive and/or confidential information, and train all DOH personnel on the appropriate handling of confidential information. By letter dated August 11, 2010, DOH reported that the DOH Bureau Chief will receive training regarding the handling of confidential or sensitive records and information, DOH will examine whether further written internal DOH regulations and procedures regarding the handling of sensitive and/or confidential information need to be developed, and DOH will re-train DOH employees who handle confidential medical information.

OUC Employee Referred Road Test Applicants to Private Driving Instructors

The OIG conducted an investigation regarding an OUC Customer Service Specialist whose job was to schedule road tests for applicants seeking to take their DMV road tests. The OIG investigation revealed that the Specialist referred road test applicants to specific, private driving instructors to rent a vehicle that met road test requirements. The Specialist's conduct violated three sections of the DPM and the OIG recommended that OUC address the conduct of the Specialist with appropriate administrative action. The OIG also recommended that OUC provide training to its customer service specialists to ensure compliance with District standards of conduct related to referrals to vendors and review calls from road test applicants to determine whether any other OUC customer service representatives were making similar referrals.

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District Department of the Environment (DDOE) Improperly Released District Government Property for Disposal

The OIG conducted an investigation which revealed that DDOE improperly released for disposal a leased photocopier, which was then sold to a private company. The company that owned the photocopier and leased it to DDOE sought either the return of the photocopier and satisfaction of the remainder of the lease agreement or payment for the purchase of the photocopier. During the investigation, the OIG confirmed that the private company that purchased the photocopier was still in possession of the photocopier. The OIG referred this matter to the Office of the Attorney General for the District of Columbia (OAG) to address the request for compensation from the owner of the photocopier.

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 2010, the OIG referred a total of 308 matters to the District agencies set forth in Appendix N. Appendix O details FY 2010 referral resolutions. In many of the cases, the OIG requires and monitors the responses to these referrals to ensure that the matters are handled appropriately.

The OIG also refers administrative matters because it lacks jurisdiction. For example, issues involving the electoral process are referred to the Office of Campaign Finance and Hatch Act allegations are referred to the U.S. Office of Special Counsel. In addition, the OIG has a Memorandum of Understanding with the MPD, which provides that allegations of traditional personal and property crimes, as well as all complaints involving controlled substances, are referred to the MPD. Most allegations of misconduct by MPD employees are referred to the MPD Chief or the MPD Internal Affairs Bureau.

SIGNIFICANT REFERRALS

Errors in Teacher's Retirement Plan Corrected

This referral to the District of Columbia Public Schools (DCPS) concerned allegations that funds had been withheld inappropriately and distributed from a retired DCPS employee's paychecks. DCPS's investigation substantiated several allegations. The errors were corrected and the complainant's retirement funds were restored.

ACTIVITIES OF THE INVESTIGATIONS DIVISION

Employee Who Failed to Make a Mandatory Disclosure of Felony Conviction Was Terminated by the Office of the Chief Financial Officer (OCFO)

This referral to OCFO concerned an allegation that an employee failed in her employment application to comply with a mandatory disclosure of any felony convictions within the past ten years. The OCFO review determined that the employee failed to disclose a grand larceny conviction from 5 years earlier. The OCFO terminated the employee. The OCFO normally conducts a background check that would have caught the conviction. In this case, however, the request for a new hire background check was not forwarded to the correct officials. The OCFO agency informed the OIG that it intends to prevent this oversight from recurring by having one official be responsible for all background check requests.

Child and Family Services Agency (CFSA) Delinquency Led to a \$15,000 Payment to Employee's Student Loan

This referral to CFSA concerned an allegation that the agency failed to honor its commitment to support a loan repayment benefit that it offered to an employee as an incentive in 2006. CFSA fulfilled its commitment by making a \$15,000 payment to the employee's student loan lender.

Value of Misused Grant Funds Deducted From Grant Payment and Grant Administrator Received Refresher Ethics Training

This referral to DOH concerned allegations that grant funds were misdirected to create a "slush fund" for providing food at meetings and awarding inappropriate sole-source contracts. DOH's investigation failed to substantiate the allegations involving the creation of a "slush fund" or contract improprieties. DOH substantiated that grant funds had been misused to provide food at meetings because the grant administrator was unaware of the prohibition against this practice. The grant administrator was counseled and required to attend refresher ethics training. The value of the misused grant funds were deducted from the grant payment.

DCPS and OCFO Coordinate to Cancel *PASS* System Access for Terminated and Transferred DCPS Employees

This referral to DCPS concerned an allegation that a former DCPS employee, who still worked for DCPS in an informal capacity, retained her access to the *PASS* procurement system. DCPS found neither fraud nor systemic error, but DCPS and OCFO will coordinate in the future to ensure that such employees' *PASS* accesses are terminated in a timely manner.

ACTIVITIES OF THE INVESTIGATIONS DIVISION

DMV Dismissed Ticket Inaccurately Associated with Vehicle Located in Germany

This referral to DMV concerned an allegation that the complainant had received a notice regarding an unpaid parking ticket, dated March 25, 2009, for a Mercedes-Benz Audi. The complainant does own a Mercedes-Benz, but it is not an Audi, and the vehicle was in Germany on March 25, 2009. The complainant protested the ticket but was required to provide a copy of the Audi's registration, which was not possible as the complainant does not own an Audi. The ticket was dismissed on September 24, 2009.

Citizen Fined for Improper Property Tax Claim of Senior Exemption

This referral to OCFO concerned allegations that a citizen improperly had benefited from both the homestead exemption and the senior exemption on her local property tax assessments. The OCFO's investigation disclosed no discrepancy with respect to the citizen's homestead exemption, but found that the citizen improperly received the benefit of the senior exemption. The citizen's senior exemption was canceled and she was sent an adjusted property tax bill, including interest and a penalty, in the amount of \$10,760.30.

DMV Voided Citizen's Tickets at MPD Request

This referral to DMV concerned an allegation that a citizen's vehicle, reported stolen, accumulated eight parking tickets before being located. DMV subsequently determined that the vehicle had been towed by a Department of Public Works official who failed to notify anyone of the towing, and that the tickets were issued without checking the stolen vehicle listings. DMV voided the tickets at the request of MPD.

OCFO Failed to Post a Citizen's Tax Payment

This referral to OCFO concerned an allegation that a citizen paid his 2008 tax, but repeatedly received notices that his tax payment had not been received. On review, OCFO found that one of its employees made a mistake in posting the tax payment. The OCFO cleared the citizen's account and is developing new requirements to detect such discrepancies in the future.

DMV Will No Longer Allow Sports-Utility Vehicles (SUVs) to Pass Inspection as Taxicabs

This referral to DMV concerned an allegation that the agency inspected sports-utility vehicle taxicabs from a particular company in violation of local law prohibiting the operation of SUVs as taxicabs. DMV's investigation revealed no evidence of selective enforcement, but instead showed that the agency only recently became aware of the prohibition on SUVs operating as taxicabs in the District of Columbia. DMV was in the process of creating and

ACTIVITIES OF THE INVESTIGATIONS DIVISION

implementing policies that would bar SUVs from passing vehicle inspections as taxicabs in the future.

OCFO Refunds \$179 to Reimburse Citizen for Agency Error and Revises Policy

This referral to OCFO concerned an allegation that a citizen's monthly tax payment check had been altered by an OCFO employee. The OCFO found that the amount on the check was blank and that when the check was received, an OCFO employee looked up the citizen's account and filled-in the total outstanding tax balance. The OCFO employee was unaware that the citizen was making monthly payments on that balance. To correct the error, OCFO cleared the citizen's account and refunded \$179 to cover four overdraft fees and one late credit card payment fee. The OCFO implemented a new policy by which checks received without the amount will be voided and returned to the tax payee. The agency determined that disciplinary action was not warranted against its employee.

Benefits Falsely Claimed for Grandson Who Did Not Reside with Claimant

This referral to DHS concerned, in part, an allegation that a public assistance benefit client made a false claim that her grandson resided with her and collected benefits in his name. DHS determined that the client's grandson had not resided with her from August 2009 to March 2010. The false claim resulted in overpayments of \$765 in Food Stamps and \$1,357 in *Temporary Assistance to Needy Families*.

Personal E-Mail Privilege Was Not Abused, but E-Mail Policy Redistributed by DCPS as a Reminder

This referral to DCPS concerned an allegation that a DCPS employee engaged in personal use of DCPS's e-mail system in excess of the agency's reasonable use exemption. DCPS's investigation determined that the personal use was infrequent. The subject's supervisor stated that any such personal use had not interfered with the subject's work, so no violation of the reasonable use exemption had occurred. Nevertheless, the supervisor was provided with a reminder copy of an October 2009 compliance document regarding use of agency e-mail, and asked to share it with her staff.

Taxpayer's Account Cleared After the Taxpayer Provided Missing Account Information to OCFO

This referral to OCFO concerned an allegation that a citizen made a tax payment by check, which the Treasury cashed, but the citizen's account had not received the tax credit. The agency's investigation revealed that the payment had been made without necessary account information which, when later provided by the taxpayer, allowed the agency to credit the payment and clear the citizen's account.

ACTIVITIES OF THE INVESTIGATIONS DIVISION

Company Failed to Meet All of the Terms of Its District Contract to OCP

This referral to the Office of Contracting and Procurement (OCP) concerned an allegation that a company under contract with the District government to provide photocopier maintenance and repair services was in violation of a contract term requiring it to be an authorized dealer for a specific photocopier company. The OCP determined that while there was no such specific term in the contract, the company nevertheless was in violation of a requirement that it provide a re-sale agreement as proof of its ability to provide service on a specific product. The OCP explained the matter to the company in a written memorandum, the company acknowledged its error, and company officials will attend an agency training workshop. The District agency that used the company was advised to cease using the company for photocopier maintenance and repair services.

Overpaid Benefits to Be Recouped From Client Who Made False Claim to DHS

This referral to DHS concerned an allegation that a client made a false claim for benefits in the names of two children who did not actually reside with her. DHS determined that there was “substantial evidence” that the two children did not reside with their mother, resulting in an overpayment. DHS will coordinate with CFSA to establish the location and makeup of the subject’s household and determine the overpayment amount to be recovered.

Recommendation That the Board of Elections and Ethics (BOEE) and Office of Campaign Finance (OCF) Procurement Staff Make Annual Financial Disclosures

This referral to BOEE concerned, in part, an allegation that an employee leaked bidding information to a company that was competing for a municipal contract. Although the agency’s investigation did not substantiate any such leak, in recognition of the sensitivity of the procurement process and the potential for abuse, the agency’s general counsel recommended that BOEE and OCF staff with procurement duties be required annually to file financial disclosure statements.

Ineligible Homestead Exemption Claimant Billed \$11,135 by the Office of Tax and Revenue (OTR)

This referral to OTR concerned improper receipt of the homestead exemption. The OTR determined that a homeowner claimed the homestead exemption on property taxes from 1999 to 2010, even though the homeowner’s eligibility for the exemption ended in 2007. The OTR billed the homeowner for the difference at 18% interest plus a 10% penalty, in the amount of \$11,135.

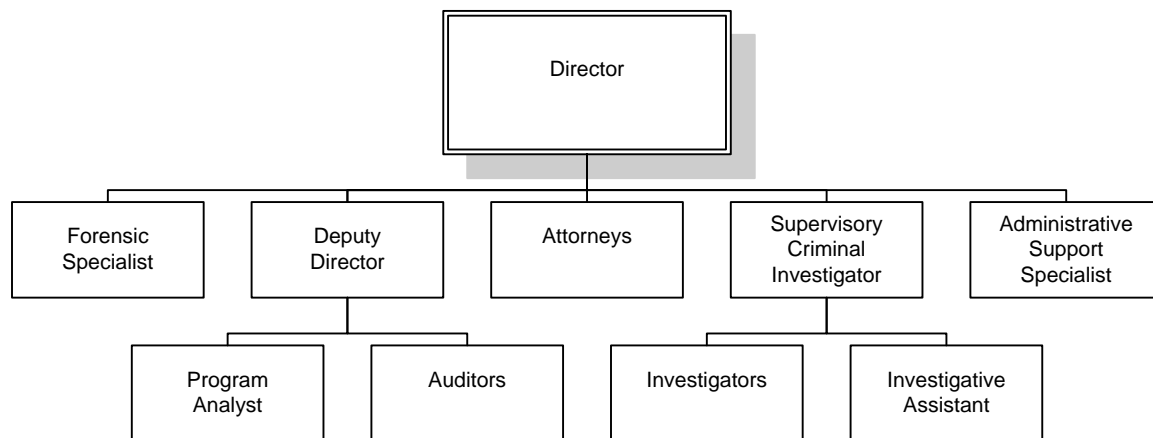
**ACTIVITIES OF
THE MEDICAID FRAUD CONTROL UNIT**

ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT

ORGANIZATION AND MISSION

The Medicaid Fraud Control Unit's (MFCU) mission is to investigate and prosecute cases of fraud and abuse within the Medicaid program for the District of Columbia. Members of the MFCU staff possess a variety of skills and experience in the healthcare industry including hospital billing, healthcare accounting, and healthcare investigations.

Medicaid Fraud Control Unit September 30, 2010



MFCU cases are investigated from inception by prosecutor-led teams. Each team consists of an attorney and an investigator, and, for financial fraud cases, an auditor. As a result, attorneys are able to provide legal analysis from the beginning of each case and are familiar with the case long before litigation ensues. The team approach also provides MFCU staff members with a forum to share their expertise and creativity in the investigation and prosecution of cases. Team members view cases from different perspectives and use new approaches when investigating other cases. The team approach encourages unity and cooperation among the MFCU staff because they are frequently called to assist on other MFCU cases. The team approach brings many matters to successful resolution.

The MFCU's enforcement efforts fall into two general categories: (1) financial fraud committed by providers against the Medicaid program; and (2) abuse, neglect, or financial exploitation of persons who reside in Medicaid-funded nursing homes and other institutional settings, or board and care facilities. Attorneys in the MFCU are sworn Special Assistant United States Attorneys and Special Assistant Attorneys General and, as such, are able to

ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT

represent the OIG in Superior and federal District courts on matters investigated by the MFCU. MFCU attorneys work with attorney colleagues in the United States Attorney's Office for the District of Columbia (USAO) and the District of Columbia Office of Attorney General (OAG). MFCU attorneys are co-counsel during all phases of civil and criminal litigation on matters initiated by the MFCU.

The United States Department of Health and Human Services (HHS) certified the Medicaid Fraud Control Unit (MFCU) on March 1, 2000. The MFCU is 1 of 50 certified MFCUs nationwide, and receives 75 percent of its funding in the form of a grant from the HHS Office of Inspector General (OIG). In order to remain eligible for these yearly grants, the MFCU must meet a number of federal requirements described in the Code of Federal Regulations. The MFCU's policies, staffing, case management, and operations are reviewed annually by the Medicaid Fraud Oversight Division at HHS to earn recertification and continued funding. In addition to complying with all mandatory federal standards, the MFCU must provide quarterly and annual statistical reports demonstrating its continued productivity and a significant return on the investment of federal and District tax dollars.

COMMUNITY AND GOVERNMENT LIAISONS

The MFCU is engaged in anti-fraud educational and outreach presentations in the private and public sectors. During the past year, the staff received requests for information and training on healthcare fraud and reporting, as well as investigating crimes against vulnerable citizens. The Director made several presentations at different venues on fraud, and abuse and neglect, including the Association of Inspectors General annual training, D.C. Adult Protective Services, and several Metropolitan Police Department (MPD) districts. The Deputy Director made a presentation at a local senior center, advising attendees on ways to avoid becoming a victim and how to report abuse. A MFCU attorney, who is an adjunct faculty member at American University Washington College of Law, taught a class in "Medicaid and Medicare Fraud" as part of the course "Legal Issues in Health Care Fraud and Abuse."

The MFCU Director regularly encourages staff members to research and write articles with the goal of publishing articles on topics of interest to other MFCUs and the law enforcement community. These articles are often based on the work of the MFCU. In the January 2010 issue of the Health Care Compliance Association and Atlantic Information Services (HCCA-AIS) publication, HCCA-AIS Medicaid Compliance News, an article, *D.C. Medicaid Fraud Control Unit Tops \$2.3 Million in Recoveries*, recognized the outstanding work of the MFCU and its recoveries in FY 2009. Also, a MFCU attorney wrote an article published in the July 2010 Bureau of National Affairs (BNA), Health Care Fraud Report, *U.S. Supreme Court Rules on Honest-Services Statute: Implications for Health Care Fraud Prosecutions*, on the U.S. Supreme Court's ruling regarding prosecutors' use of the "honest services" fraud theory.

ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT

The MFCU works closely with industry groups on problems of common concern. Collaborating with other District and federal law enforcement agencies in the investigation and prosecution of fraud cases is mutually beneficial. The MFCU is working on a number of ongoing investigations with the Federal Bureau of Investigation (FBI), the HHS OIG, the Drug Enforcement Administration (DEA), and the MPD. The Director participates in the Healthcare Fraud Managers working group to discuss issues affecting law enforcement and strategies to combat healthcare fraud committed by service providers in D.C. Additionally, the MFCU participates in several local healthcare fraud task force groups with other local and federal law enforcement entities. These collaborations have led to case referrals in FY 2010.

The Director participated as a member of the Mental Retardation and Developmental Disabilities Fatality Review Committee. A staff member participated in the District of Columbia Adult Abuse Prevention Committee and the National Association of Medicaid Fraud Control Units (NAMFCU) Resident Abuse Committee. A 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 Health Care Fraud Reporter, and the Chair of the Business Law and Governance Practice Group of the American Health Lawyers Association. MFCU staff members belong to organizations such as the: Association of Inspectors General; National Healthcare Anti-Fraud Association (NHCAA); International Association of Financial Crimes Investigators; Reid Institute; and National District Attorneys Association. These memberships permit staff to interact with colleagues who are performing similar anti-fraud activities and learn about schemes that may be perpetrated in other communities. Memberships in professional organizations also enhance the MFCU's visibility in investigative and law enforcement communities which, in turn, increases the number of cases referred to the MFCU for investigation.

A key aspect of the MFCU's continuing efforts against waste, fraud, and abuse in the District's Medicaid program is its continuing partnership with the D.C. Department of Health Care Finance (DHCF). Pursuant to federal law (42 CFR § 455.15(a)(1)), the DHCF is required to refer cases of suspected fraud to the MFCU. In FY 2009, the Memorandum of Understanding between the MFCU and the DHCF was updated and finalized and the two entities initiated quarterly meetings to discuss referrals and case updates. Open communication has improved, and the number of referrals from DHCF to the MFCU increased in FY 2010.

Another aspect of the partnership between the MFCU and the DHCF is the MFCU's ability to identify overpayments made to Medicaid providers. During investigations, the MFCU sometimes discovers overpayments made to providers by the Medicaid program. Although the MFCU does not collect overpayments by the Medicaid program on behalf of the District, it is aggressive in assisting DHCF in identifying overpayments and any referrals for administrative action and collection.

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The MFCU has limited direct online access to Omnicaid, DHCF's computerized database (formerly, the Medicaid Management Information System (MMIS)), an automated claims payment and information retrieval system that tracks Medicaid providers, recipients, and claims made to Medicaid. MFCU staff members can readily retrieve some Medicaid data without requesting such information from DHCF. This access to DHCF's computerized database ensures that investigations can proceed more effectively, with fewer burdens on both DHCF and MFCU personnel.

During FY 2010, the MFCU continued to build relationships with other law enforcement agencies by participating in educational programs as well as organizing training and giving presentations at conferences. Every member of the MFCU staff attended training conferences related to their particular profession or the mission of the MFCU. Conferences attended included the NAMFCU Annual Conference, The Reid Technique of Interviewing and Interrogation, Critical Thinking for Managers and Supervisors, Understanding Stress and How to Manage It, Challenge and Technique for Elder Abuse and Investigations, Health Care Investigator's Boot Camp, and Organized Crime in Healthcare Fraud.

ANTI-FRAUD EFFORTS

The MFCU's anti-fraud efforts consist of investigations of two types of fraud: fraud solely impacting the District of Columbia and fraud affecting many jurisdictions, resulting in a global impact. The MFCU conducts intensive investigative activity in the area of fraudulent practices by individuals and corporations that provide Medicaid-covered services to citizens of the District of Columbia. Ongoing investigations involve allegations of fraud committed by a broad range of healthcare providers, from nationally known institutions to solo practitioners. Medical professionals and organizations involved in our cases include physicians, podiatrists, pharmacies, medical equipment suppliers, mental health clinics, nursing homes, and transportation providers.

MFCU's investigations can lead to the filing of criminal, civil, and/or administrative charges. When appropriate, consideration is given to the possibility of simultaneously working a case on parallel criminal, civil, and/or administrative tracks. In this way, we can obtain the powerful deterrent effect that comes with criminal convictions and also maximize our potential for recovering funds improperly taken from the Medicaid program. Although healthcare fraud cases can take up to 3 or 4 years to progress from receipt of an allegation to the filing of charges, the MFCU currently has a significant number of matters that have been presented to the USAO or the OAG for prosecution or other resolution, and many of those matters will be resolved in FY 2011.

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District of Columbia Anti-Fraud Efforts

In FY 2010, the MFCU prosecuted several District of Columbia criminal fraud cases. The MFCU recovered more than \$411,000 as a result of these criminal prosecutions.

United States v. Akhigbe

From December 2002 to May 2005, the defendant, a medical doctor, prepared and submitted his own billing to Amerigroup Corporation, a managed care organization that contracted with the District of Columbia Medicaid program to provide healthcare services to low-income D.C. residents. The defendant submitted claims for invasive surgical procedures he did not perform on D.C. Medicaid patients and office visits that never occurred. In addition, he billed for a period of time after minor or major procedures during which no additional bills could be submitted, in violation of global billing rules. To substantiate the false billing, the defendant created false progress notes indicating the dates, times, and surgical procedures he claimed he performed, and inserted the false progress notes into his patients' medical files. A federal jury convicted the defendant on 17 counts. The judge sentenced the defendant to 53 months of incarceration, 3 years of supervised release, a special assessment of \$1,700, and ordered him to forfeit \$133,418 of proceeds derived from his healthcare fraud. This case was the first matter tried to a federal jury by a D.C. MFCU staff member since the MFCU's inception in 2000.

United States v. Fant

In this case, the DHCF conducted an audit in June 2005 and found L. Thompson, the defendant's transportation company, had a high volume of claims for transportation services to D.C. Medicaid recipients. The defendant was unable to provide records of transportation services, although regulations required transportation providers to maintain trip logs. The defendant pled guilty to one count of healthcare fraud. She admitted that between January 2003 and June 2005, she submitted false claims to Medicaid for transportation services that were not performed, for a total loss to the government of \$125,000. The defendant was sentenced 180 days of home detention and 3 years probation, and ordered to pay restitution of \$125,000.

United States v. Barry

The defendant, former owner and chief executive officer of Doors of Hope Medical Supply, pled guilty to a charge of healthcare fraud stemming from Doors of Hope's billing practices. Doors of Hope was a durable medical supply business that sold canes, walkers, hospital beds, wheelchairs, and other equipment to D.C. Medicaid beneficiaries. Its offices were at Greater Southeast Hospital. The defendant admitted that during the period of approximately March 2004 through November 2005, she knowingly submitted false claims to D.C. Medicaid for equipment that was either not provided or was not covered under the Medicaid program. For example, the defendant billed for power wheelchairs when, in reality, she provided D.C. Medicaid beneficiaries with manual wheelchairs, manual walkers, or cheaper electric

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scooters. The defendant was sentenced to 5 years of probation and 6 months of home confinement, ordered to pay restitution of \$122,925 to the D.C. Medicaid program, and perform 1,000 hours of community service.

United States v. Salahmand

The defendant in this case worked at eight different clinics in D.C. and Maryland, where he pretended that he was a doctor and prescribed medicine, using the identities of four different licensed physicians. Over the course of his fraud scheme, more than 200 patients saw the defendant, believing him to be a licensed medical doctor capable and authorized to treat mental health illnesses. In truth, the defendant was never a licensed medical doctor, and was not authorized to practice medicine, yet he obtained employment as a medical doctor at various mental health clinics primarily serving children. At some clinics, he was hired as a medical director and was the sole "physician" employed. During this time, the defendant wrote approximately 226 prescriptions for controlled substances for patients in D.C. and Maryland forging the signatures of licensed doctors. The defendant was sentenced to 13 months in prison, 3 years of supervised release, and ordered to pay approximately \$16,800 in restitution.

National Anti-Fraud Efforts:

The MFCU is a member of the NAMFCU and regularly coordinates with its counterparts in 49 states, sharing information and strategies, and cooperating in multi-jurisdictional matters. An important aspect of the MFCU's involvement in national healthcare fraud activities is its participation in global settlements. On occasion, healthcare providers, typically pharmaceutical manufacturers, engage in fraudulent activities and schemes in multiple states. The MFCU has joined with other MFCUs, under the auspices of NAMFCU, to more efficiently and effectively resolve cases of this nature. The use of multi-state teams representing the interests of all aggrieved states allows each state to recoup monies without duplicating efforts.

In FY 2005, the MFCU became a member of NAMFCU's *qui tam* subcommittee, consisting of representatives from the MFCUs of all states that have enacted false claims act statutes containing *qui tam* or whistleblower provisions. Currently, the District and 23 states have such statutes. During FY 2010, the MFCU continued to participate in monthly conference calls during which state MFCU representatives discuss issues in pending lawsuits as well as how to investigate and prosecute these cases in the most efficient manner. The MFCU has found the committee to be a valuable resource. During FY 2006, the committee instituted a process for drafting intake memoranda for all newly-filed *qui tam* lawsuits. All representatives share responsibilities by volunteering to draft intake memoranda containing analyses of the allegations of improper conduct, theories of liability, anticipated defenses, and recommendations regarding how to proceed with the matters. The recommendations are shared with the president of NAMFCU who, if a lawsuit has merit, appoints an investigative

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or global settlement team. The *qui tam* subcommittee is committed to the team approach, ensuring no single MFCU is overburdened with time-consuming and costly investigations. In FY 2008, an attorney in the D.C. MFCU was appointed to a *qui tam* case team, marking the first time a D.C. MFCU staff was appointed on a national case. In FY 2010, the MFCU attorney worked on two *qui tam* teams, including the team that resolved the Aventis matter described below, and performed committee-related work on other matters.

The MFCU is currently involved in 289 false claims act lawsuits that are in various stages of investigation and prosecution. The MFCU continues to participate in multiple global settlement negotiations and anticipates receiving significant monetary settlements in FY 2011. In 2011, the MFCU anticipates hiring additional personnel to enable an attorney to work exclusively on *qui tam* matters.

Global Settlements

In FY 2010, the MFCU's work on 12 global settlements resulted in the District recovering more than \$3.2 million for the Medicaid program.

Pfizer

D.C. collaborated with other states and the federal government to reach an agreement with Pfizer, Inc. (Pfizer), in which the District of Columbia received \$1,821,753 in restitution and other recovery. Pfizer and its subsidiaries paid kickbacks and engaged in off-labeling marketing campaigns that improperly promoted numerous Pfizer drugs. Pfizer, the largest pharmaceutical manufacturer in the world, engaged in a pattern of unlawful marketing activity to promote multiple drugs for certain uses which the Food and Drug Administration (FDA) had not approved.

Mylan, OrthoMcNeil, AstraZeneca, and UDL

The District of Columbia recovered more than \$670,000 from settlements with Mylan Pharmaceuticals, Inc., OrthoMcNeil Pharmaceutical, Inc., AstraZeneca Pharmaceuticals LP, and UDL Laboratories, Inc. D.C. joined other states and the federal government and reached agreements with the four pharmaceutical companies in which they agreed to pay a total of \$124 million to resolve claims that they violated the False Claims Act by failing to pay appropriate rebates for drugs paid for by Medicaid. The companies are participants in the Medicaid Rebate Program and executed Rebate Agreements with the United States.

Aventis

The District of Columbia received \$171,610 as part of a \$95.5 million global settlement with Aventis Pharmaceutical, Inc. (Aventis), a wholly-owned subsidiary of sanofi-aventis U.S., LLC. The settlement agreement resolved allegations that between 1995 and 2000, Aventis and its corporate predecessors knowingly misreported best prices for the steroid-based anti-inflammatory nasal sprays Azmacort, Nasacort, and Nasacort AQ. Under the Medicaid Drug

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Rebate statute, Aventis was required to report to Medicaid the lowest, or “best,” price that it charged commercial customers, and pay quarterly rebates to the Medicaid program based on those reported “best” prices.

Medtronic

D.C.’s participation in the Medtronic, Inc. (Medtronic) settlement resulted in a total recovery of \$4,145 for the Medicaid program. Medtronic and its wholly owned subsidiary, Medtronic Sofamor Danek USA, Inc. (MSD), agreed to pay \$40 million plus interest to the United States, D.C., and the states to settle claims that it defrauded the Medicare and states’ Medicaid programs. From January 1, 1998, through April 30, 2003, the government alleged that Medtronic, a medical technology company that distributes a wide range of medical devices, offered kickbacks to spine surgeons to induce them to choose devices marketed by MSD, the Medtronic subsidiary specializing in spinal implant devices. The kickbacks took various forms, including consulting and royalty agreements for which little or no work was performed; travel for doctors, their spouses, and families; and consultant meetings held at lavish venues.

Small Smiles (FORBA)

D.C. recovered \$474,360 from the settlement with FORBA Holdings, LLC (FORBA). D.C. joined 22 states and the federal government to settle allegations against FORBA, a dental management company that provided management services to Small Smiles dental clinics nationwide. Under the agreement, FORBA agreed to pay the participating states and the United States \$24 million, plus interest, to resolve allegations that it caused bills to be submitted to the states’ and D.C.’s Medicaid programs for medically unnecessary dental services performed on children insured by Medicaid. D.C. alleged that FORBA was liable for causing the submission of claims for reimbursement for a wide range of dental services provided to low-income children that were either medically unnecessary or performed in a manner that failed to meet professionally-recognized standards of care. These services included performing pulpotomies (root canals) and extractions, placing crowns, administering anesthesia (including nitrous oxide), providing fillings and/or sealants, and inappropriately using behavior management techniques to restrain child patients.

The Small Smiles investigative team was honored for outstanding teamwork, investigative excellence, and community impact. Two MFCU staff members, an attorney and investigator, were members of the investigative team. The Council of the Inspectors General on Integrity and Efficiency recognized the contributions at the 13th Annual Awards Ceremony where the team received the prestigious Award for Excellence in Investigations.

Omnicare and IVAX

The District of Columbia received more than \$63,000 in restitution from a settlement with Omnicare, Inc. (Omnicare) and IVAX Pharmaceuticals, Inc. (IVAX). In this case, the federal government and the states reached a global settlement with Omnicare and IVAX to

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resolve allegations that the companies engaged in unlawful kickback schemes that defrauded federal and state healthcare programs. Omnicare specializes in providing pharmacy services to long-term care facilities. IVAX manufactures generic drugs. The states and the federal government will receive a total of \$112 million in civil damages to compensate Medicaid and Medicare programs for harm suffered as a result of the conduct.

Otsuka, Alparma, and InterMune

D.C. participated in federal and state settlements with Otsuka America Pharmaceutical Inc. (Otsuka), Alparma Inc. (Alparma), and InterMune, Inc. (InterMune) resulting in more than \$16,500 in recoveries to the D.C. Medicaid program. In the Otsuka case, D.C. alleged that during the period from January 2002 through December 2005, Otsuka knowingly promoted the sale and use of Abilify for patients under age 18 prior to approval for this use by the FDA, and to treat dementia-related psychosis, a use for which the FDA had not approved. In the Alparma case, D.C. alleged that from January 1, 2000, through December 29, 2008, Alparma offered and paid for training programs, consulting forums, research grants, and speakers' bureaus, and made or disseminated false statements about the safety and efficacy of the drug Kadian, all of which was done to induce healthcare providers to prescribe Kadian. In the InterMune case, the contention was that between January 2001, and June 30, 2003, InterMune knowingly and willfully promoted the sale and use of the drug Actimmune for the treatment of idiopathic pulmonary fibrosis, a use for which Actimmune had not been approved by the FDA, and knowingly caused the submission of claims to the government.

ABUSE AND NEGLECT

The MFCU investigates and prosecutes cases of abuse and neglect in hospitals, nursing homes, residences for citizens with intellectual and developmental disabilities and mental illness, and board and care facilities.

The District of Columbia's Criminal Abuse and Neglect of Vulnerable Adults Act of 2000 criminalizes both the abuse and the neglect of vulnerable adults. The law includes prohibitions of 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, and substandard medical care, poor nutrition or sanitation, or a failure to properly supervise living conditions. This law expands the options available to prosecutors in abuse cases and allows for filing charges specifically targeted at this type of behavior. The MFCU utilizes this law whenever appropriate.

Abuse cases are among the most disturbing matters handled by the MFCU because they require investigators and prosecutors to sort through voluminous medical records and documents, often while working with emotional and distressed persons, their families, and

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medical staff. Abuse victims are among the most vulnerable of our citizens, because they are dependent on others for their care and safety. In addition, abuse investigations are challenging because the same limitations that make the victims vulnerable can impede their ability to assist authorities. Allegations of abuse must be reported and investigated quickly and thoroughly before recollections and evidence disappear.

Prosecution of abuse and neglect cases, subsequent press and media attention, and discussions industry-wide with caregivers, family members, providers, and other professionals provide a deterrent effect. The MFCU believes publicizing these cases sends a strong message to the professionals throughout the 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 addition, persons convicted of crimes against the Medicaid program can be excluded nationwide from working in programs, institutions, and entities that receive federal healthcare funds, including Medicare and Medicaid. The MFCU always seeks to have these individuals excluded.

In FY 2010, MFCU attorneys co-prosecuted in six trials, resulting in five judgments of guilty. In addition, three matters were resolved with pleas of guilty in the areas of abuse, neglect, or financial exploitation of vulnerable adults.

Abuse

The MFCU obtained four convictions in FY 2010 in cases of abuse. Of these convictions, two were obtained after trial, and two defendants entered guilty pleas. One defendant was tried and acquitted. Two of the convicted defendants were sentenced in FY 2010; the two others will be sentenced in FY 2011 and their cases are detailed in the “Pending Resolutions” section below. Finally, in FY 2010, two defendants appealed their convictions and the D.C. Court of Appeals affirmed the convictions.

United States v. McFadden

The defendant in this case was employed as a certified nursing assistant with responsibility for caring for residents of a long-term care facility. A nurse witnessed the defendant strike a 68 year-old resident multiple times on the face and chest with a closed fist. The defendant was convicted of one count of criminal abuse of a vulnerable adult in the Superior Court of the District of Columbia. The judge sentenced her to 180 days in prison, with all but 30 days suspended, and 2 years of supervised probation. She was also ordered to undergo anger management counseling and to perform 40 hours of community service. Finally, the court prohibited the defendant from working with vulnerable adults for the duration of the probation period and ordered her to pay \$100 to the Victims of Violent Crime Compensation Act fund.

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United States v. Warren

A judge found the defendant, a registered nurse, guilty of criminal abuse of a vulnerable adult. The vulnerable adult lived in a residence for persons with cognitive disabilities, and did not want to go to an appointment. The defendant dragged the victim by his ear down several steps to get him from the apartment to the car, while the victim was screaming, “Ouch,” and trying to get away from her grasp. She was sentenced to 150 days in prison, with all days suspended, 90 days unsupervised probation, and ordered not to work with vulnerable adults. The defendant was ordered to pay \$50 to the Victims of Violent Crime Compensation Act fund.

United States v. Jackson

In this matter, the defendant worked in a facility for vulnerable adults, most of whom have severe mental, emotional, and/or physical limitations. The victim, a male with cognitive limitations and bilateral hearing loss, reported that the defendant hit him on his hand with a stick, causing a cut to his palm. A critical witness avoided government attempts to contact her, evaded subpoena service, and did not appear to testify at the trial. The court found the defendant not guilty of criminal abuse of a vulnerable adult. The victim was unable to appreciate the oath to tell the truth and his testimony was disregarded.

Neglect

The MFCU obtained two convictions for neglect after trial.

United States v. McLean

The defendant, an employee of a residential provider for persons with cognitive and developmental disabilities, was assigned to drive a vulnerable person from her day-treatment program to her residence in northeast Washington, D.C. The defendant left the victim in the van, parked in direct sun, with the doors locked and the windows rolled up. Temperatures that day were recorded at 98°. Other workers discovered the victim approximately 2 hours later dehydrated and sweating profusely. The court convicted the defendant of criminal negligence and sentenced the defendant to 180 days in prison, with all but 45 days suspended, and 18 months supervised probation. The court specified a condition of probation that the defendant not work with any vulnerable persons and ordered him to pay \$100 to the Victims of Violent Crime Compensation Act fund.

United States v. McCoy

This case involved an employee of a residential provider for persons with cognitive and developmental disabilities, who was assigned to provide one-to-one care for a vulnerable adult resident. After the defendant left the victim’s side to sleep in another room, the victim sustained numerous abrasions on his right forearm causing bleeding and loss of tissue. The court convicted the defendant of criminal negligence and sentenced the defendant to 150

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days in prison, with all days suspended, and 6 months unsupervised probation. The court ordered him not to work with vulnerable populations, and to pay \$50 to the Victims of Violent Crime Compensation Act fund.

Sexual Assault

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

In FY 2009, the MFCU initiated several investigations into allegations of sexual assault or sexual abuse. One of those cases was resolved in FY 2010.

United States v. Dean

A jury found the defendant in this case guilty of two counts of fourth degree sexual abuse following a trial. On September 2008, staff at the nursing home where the defendant's mother lives observed the defendant sexually abusing his mother, who was incapable of speaking out due to medical conditions. Specifically, staff saw Dean with his hand in his mother's diaper and also observed Dean caressing her from her breasts to her knees as he kneeled in front of her and kissed her on the mouth. The staff members reported the incidents to the facility management. The court sentenced the defendant to 12 months in prison on each count, concurrent with each other, with all but 30 days suspended, and 5 years of probation to be supervised by the Sexual Offender Treatment Unit. Conditions of probation included sexual offender evaluation and treatment if appropriate, limited contact with vulnerable adults, and no contact of any type with his mother unless permitted in advance by his probation officer. In addition, the defendant is required to register as a sexual offender for a period of 10 years.

Financial Exploitation

The MFCU also prosecutes cases involving the financial exploitation of individuals living in Medicaid-funded facilities, including the theft of patient funds. The MFCU prosecuted one financial exploitation matter in FY 2010.

United States v. Clay

The defendant, who worked at a residential provider for persons with cognitive disabilities, was responsible for assisting the residents with financial transactions, including helping them deposit their checks for wages earned at supported work programs in the community. Instead, the defendant deposited the vulnerable adults' checks into her own account and spent the money for her personal benefit. The defendant was indicted for fraud and theft. She pled guilty to one count of First Degree Felony Fraud, a felony, and the court sentenced her to 12

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months in prison, all but 4 months suspended, followed by 2 years probation. During the probationary period, she may not work with any vulnerable persons, and must pay restitution to her victims. The defendant was also ordered to pay \$100 to the Victims of Violent Crime Compensation Act fund.

Pending Resolutions

In addition to resolved criminal matters, several cases were investigated and tried in FY 2010, and await sentencing.

United States v. Little

The defendant, who was a caregiver for an adult victim with cognitive disabilities, was observed using his hand to hit the victim two to five times about the head, shoulder, and hand. After trial, the court found the defendant guilty of assault. He will be sentenced in FY 2011.

United States v. Bintou

This case involves a caregiver in a residence for persons with cognitive and developmental disabilities who was observed by coworkers hitting a resident with her hands and a shoe. One of the coworkers videotaped the abuse on a cell phone. After being indicted by grand jury, she pled guilty to one felony count of criminal abuse of a vulnerable adult. She will be sentenced in FY 2011.

United States v. Gray

A taxi driver who participated in the Medicaid non-emergency transportation program during 2004-2006 entered a pre-indictment plea of guilty to charges related to tax filing. His sentencing is scheduled for FY 2011.

Appeals

Two persons convicted of criminal offenses in matters investigated and prosecuted by the MFCU prior to FY 2010 unsuccessfully appealed their convictions. This was the third consecutive year that MFCU-generated cases led to the development of case law in the area of abuse and neglect.

In FY 2009, we reported on *United States vs. Ajumobi*, a former employee of a District of Columbia residential provider for persons with cognitive and developmental disabilities who was charged with criminal abuse of a vulnerable adult after he was seen hitting one of the residents. The court found the defendant guilty after trial and sentenced him to 30 days in prison with all days suspended, and 1 year of supervised probation. In FY 2010, the defendant appealed the conviction, arguing that the evidence was insufficient to convict him of criminal abuse of a vulnerable adult. The D.C. Court of Appeals affirmed the conviction.

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In FY 2007, we reported on *U.S. v. Jackson*, in which a residential counselor was found guilty of criminal negligence. The defendant engaged in a physical struggle with a developmentally disabled victim, resulting in the victim receiving bruises and scratches. The defendant failed to report the injuries to supervisors, thereby preventing the victim from receiving proper medical care. The court sentenced the defendant to 180 days in prison with all but 15 days suspended. In February 2010, the D.C. Court of Appeals issued its opinion on the defendant's appeal, which challenged the sufficiency of the evidence. The court concluded there was adequate evidence to support the conviction, and affirmed it.

MANAGEMENT ALERT REPORTS

The MFCU periodically issues Management Alert Reports (MARs) to District agencies involved with the Medicaid program. These are based on potential problems or weaknesses in the Medicaid program as viewed from the perspective of the MFCU. In FY 2009, we reported that MARs would be issued in FY 2010. The MFCU initiated inquiries into several issues and determined MARs were not necessary. In one matter, the investigation led to issuance of a MAR shortly after the end of FY 2010. It will be included in the FY 2011 annual report. In addition, the MFCU initiated inquiries into issues that may result in additional MARs being issued in FY 2011.

STATISTICAL SUMMARY

Throughout the year, hospitals, nursing homes, community residence facilities, day treatment programs, and group homes for persons with mental retardation and mental illness provide the MFCU with a steady stream of unusual incident reports. Although many of these reports describe medical conditions or accidents that have no connection to abuse or neglect, some reports contain serious allegations of abuse and neglect requiring a rapid response.

In FY 2010, the MFCU received 3,900 unusual incident reports, ranging from reports of changes in condition of residents of nursing homes and other supported living environments, to alleged assaults of residents of those facilities. The number of reports the MFCU received decreased by 1.08% in FY 2010.

The MFCU FY 2010 performance-based budget goal was to resolve 16 cases. The MFCU greatly exceeded that goal by resolving 26 matters in FY 2010. The MFCU is currently investigating over 166 matters (exclusive of the 289 *qui tam* matters previously mentioned), 60% of which are fraud, 39% relate to allegations of abuse or neglect, and 1% involve allegations of theft of funds or property. Of the investigations the MFCU initiated in FY 2010, 29% involved allegations of provider fraud, 65% were the result of reports of abuse or neglect, and 6% were funds-related. In FY 2010, the MFCU recouped \$3,637,130 in civil and criminal fraud settlements, thereby recouping more than \$5 for every District dollar funding the MFCU.

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The MFCU continues to reach out to providers to inform them of the unusual incident reporting process and its importance to the well-being of residents. In FY 2005, the MFCU created a database, with the assistance of the OIG's Information Systems Division, which captures data regarding abuse and neglect of residents in healthcare facilities in the District. The MFCU began using this database in FY 2006. Since that time, the database has and will continue to assist the MFCU in investigating its cases as well as identifying problem areas and trends that need to be addressed in the future.

The MFCU's performance measure for 2010 is shown in Appendix P. A comparison of the MFCU's FY 2009 and FY 2010 performance statistics is detailed in Appendix Q.

CONCLUSION

In FY 2010, the MFCU processed 3,900 incoming unusual incident reports, initiated 176 investigations and closed 164 matters. Through trial or settlement, the MFCU attained 26 substantive dispositions of outstanding fraud, abuse, neglect, and sexual assault cases, significantly surpassing its goal. The MFCU resolved 14 criminal matters, 4 of which resulted in restitution to the Medicaid program, and recovered substantial monies in restitution to the Medicaid program in 12 civil settlements. In addition, the MFCU continued to demonstrate a high level of activism and gained prestige through its membership in task forces, invitations to make presentations, and participation in other writing and training opportunities. In FY 2011 the MFCU will continue to excel in its investigations and prosecutions of fraud, abuse, and neglect. Moreover, a number of pending cases in which the MFCU invested significant resources are expected to reach resolution in FY 2011.

APPENDICES

**FISCAL YEAR 2010 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 2010.

April 23, 2010	Testimony Before the Committee on Government Operations and the Environment – Fiscal Year 2011 Budget Review
March 9, 2010	Testimony Before the Committee on Government Operations and the Environment – Fiscal Year 2009 Performance Oversight Hearing
February 5, 2010	Testimony Before the Committee of the Whole – Issuance of the Comprehensive Annual Financial Report for Fiscal Year 2009
December 10, 2009	Testimony Before the Committee on Government Operations and the Environment – Public Oversight Roundtable on Government Contracting Reform in the District of Columbia
October 30, 2009	Testimony Before the Joint Public Oversight Roundtable – The Contracting Process Related to Parks and Recreation Projects

FISCAL YEAR 2010 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.

“2 Years After 4 Deaths. D.C. Welfare System Remains Under Scrutiny”
October 22, 2009 (NYT)

“D.C. child abuse cases left in hallways, unlocked rooms”
November 3, 2009 (Examiner)

“Four Pharmaceutical Companies Agree To Pay \$124 Million For Alleged Submission Of
False Claims To Medicaid”
November 30, 2009 (OIG Press Release)

“D.C. inspector general: \$180 million in waste, fraud found in '09 fiscal year”
December 7, 2009 (Examiner)

“Many D.C. medical clinics unlicensed, not inspected”
December 24, 2009 (Examiner)

“Dental Management Company Pays \$24 Million to Resolve Fraud Allegations”
January 20, 2010 (OIG Press Release)

“Report faults former D.C. juvenile justice chief Vincent Schiraldi in escape”
February 4, 2010 (WP)

“District of Columbia Doctor Sentenced to 53 Months in Prison for Health Care Fraud”
March 22, 2010 (DOJ Press Release)

“Pharmaceutical Company Pays \$42.5 Million To Resolve Fraud Allegations”
March 22, 2010 (OIG Press Release)

References: *The Washington Post* – **WP** · *The Washington Times* – **WT** · *The Washington Examiner* – **Examiner** · *New York Times* - **NYT** · United States Department of Justice – **DOJ** · *The Washington Business Journal* – **WBJ** · WTTG Fox 5/News Corporation – **MYFOXDC.COM**

FISCAL YEAR 2010 PRESS HIGHLIGHTS

“District IG: Fenty’s cuts to IG budget illegal”
May 14, 2010 (Examiner)

“Multiple security problems at District-owned buildings, IG finds”
June 1, 2010 (Examiner)

“Records of D.C.’s abused, elderly and disabled found at risk”
June 18, 2010 (Examiner)

“DC I.G.: 911 Director Broke The Law”
August 3, 2010 (MYFOXDC.COM)

“Md. Woman Pays Dearly For D.C. Application Fib”
August 4, 2010 (WBJ)

“Felons can still get liquor licenses in D.C.”
August 17, 2010 (WT)

“Ortho-McNeil-Janssen Pharmaceuticals, Inc. To Pay More Than \$50 Million To State
Medicaid Programs To Settle Claims Of Off-Label Marketing”
August 19, 2010 (OIG Press Release)

“Maryland Woman Sentenced For D.C. Medicaid Fraud”
August 31, 2010 (DOJ Press Release)

References: *The Washington Post* – **WP** · *The Washington Times* – **WT** · *The Washington Examiner* – **Examiner** · *New York Times* - **NYT** · United States Department of Justice – **DOJ** · *The Washington Business Journal* – **WBJ** · WTTG Fox 5/News Corporation – **MYFOXDC.COM**

AUDIT ARTICLES AND ABSTRACTS PUBLISHED IN FISCAL YEAR 2010

Khaled Abdel Ghany, *GASB Proposal Improves the Quality of SEA Reports*, LOCAL GOVERNMENT AUDITING QUARTERLY, Winter 2009, Vol. 23, Number 2, at 37.

Abstract, “*Audit of the Management Operations of Office of Cable Television*,” LOCAL GOVERNMENT AUDITING QUARTERLY, Summer 2010, Vol. 23, Number 4, at 46.

**FISCAL YEAR 2010 AUDIT DIVISION
PERFORMANCE MEASURE STATISTICS**

Activity	FY 2010 Target	FY 2010 Actual
Final Audit Reports Issued	28	28
District agencies provided with audit coverage/presence	25%	31%
Potential monetary benefits identified by OIG audits	\$19 Million	\$25.8 Million

FISCAL YEAR 2010 AUDIT COVERAGE

		Agency/Office
1	AA	Executive Office of the Mayor
2	AB	Council of the District of Columbia
3	BY	D.C. Office on Aging
4	HT	Department of Health Care Finance
5	AT	Office of the Chief Financial Officer
6	BH	Unemployment Compensation Fund
7	CB	Office of the Attorney General for the District of Columbia
8	CR	Department of Consumer and Regulatory Affairs
9	DB	Department of Housing and Community Development
10	DC	D.C. Lottery and Charitable Games Control Board
11	ES	Washington Convention and Sports Authority
12	GA	District of Columbia Public Schools
13	GF	University of the District of Columbia
14	HC	Department of Health
15	KA	Department of Transportation
16	KT	Department of Public Works
17	PO	Office of Contracting and Procurement
18	RH	District Retiree Health Contribution
19	SC	D.C. Sports and Entertainment Commission
20	TO	Office of the Chief Technology Officer
21	TF	Tobacco Settlement Financing Corporation
22	CT	Office of Cable Television

FISCAL YEAR 2010 AUDIT COST AND RECOMMENDATION STATISTICS

	Audit Title, Number, Date Issued	Recommendations		
		Cost ¹	Made	Status ²
1	Audit of the Grant Agreement Between the Office of the Attorney General and District of Columbia Bar Foundation, OIG No. 09-2-06CB, October 1, 2009	\$42,298	12	12 – Closed
2	Audit of the Office of the Chief Financial Officer's Implementation of Recommendations Contained in the Wilmer Cutler Pickering Hale and Dorr LLP Report of Investigation, OIG No. 09-2-11AT, December 9, 2009	\$82,303	1	1 – Closed
3	Office of the Attorney General Antifraud Fund Financial Statement Audit for the Fiscal Year Ended September 30, 2008, OIG No. 09-1-26CB, December 10, 2009	\$16,002	0	
4	District Department of Transportation Highway Trust Fund Management Letter for the Fiscal Year Ended September 30, 2008, OIG No. 08-1-23KA, December 10, 2009	\$1,753	7	7 – Closed
5	Audit of the Management Operations of the Office of Cable Television, OIG No. 08-1-19CT, December 17, 2009	\$77,359	4	1 – Open 3 – Closed
6	Home Purchase Assistance Program Financial Statement Audit and Report on Internal Control Over Financial Reporting and Compliance for the Fiscal Year Ended September 30, 2008, OIG No. 10-1-01DB and 10-1-01DB(a), December 23, 2009	\$40,952	1	1 – Closed
7	Office of the Attorney General Antifraud Fund Management Letter for the Fiscal Year Ended September 30, 2008, OIG No. 09-1-26CB(b), January 25, 2010	Included in cost of Audit #3 above	1	1 – Closed
8	Highway Trust Fund Financial Statement Audit for the Fiscal Year Ended September 30, 2009, OIG No. 09-1-33KA, January 29, 2010	\$70,976	0	

FISCAL YEAR 2010 AUDIT COST AND RECOMMENDATION STATISTICS

	Audit Title, Number, Date Issued	Recommendations		
		Cost ¹	Made	Status ²
9	Comprehensive Annual Financial Report (CAFR) of the Government of the District of Columbia for the Fiscal Year Ended September 30, 2009, OIG No. 10-1-04MA, February 4, 2010	\$3,918,497	23	23 – Closed
10	Independent Auditors' Report on Internal Control and Compliance Over Financial Reporting Fiscal Year Ended September 30, 2009, OIG No. 10-1-03MA, February 2, 2010			
11	University of the District of Columbia Financial Statements and Management's Discussion and Analysis Fiscal Years Ended September 30, 2009, and 2008, OIG No. 10-1-06GF, February 22, 2010	\$177,426	0	
12	Audit of Selected Contractors at the University of the District of Columbia, OIG No. 09-2-01GG, March 12, 2010	\$71,875	4	4 – Closed
13	District of Columbia Lottery and Charitable Games Control Board Financial Statements and Management's Discussion and Analysis (With Independent Auditors' Report Thereon) Years Ended September 30, 2009, and 2008, OIG No. 10-1-22DC, March 18, 2010	\$68,170	0	
14	District of Columbia E911/E311 Special Revenue Fund Schedule of Revenues and Expenditures and Independent Auditor's Report Year Ended September 30, 2009, OIG No. 10-1-09UC, March 30, 2010	\$55,000	0	
15	District of Columbia Sports and Entertainment Commission Financial Statements Years Ended September 30, 2009, and September 30, 2008, OIG No. 10-1-08SC, March 30, 2010	\$68,170	2	2 – Closed
16	District of Columbia Tobacco Settlement Financing Corporation Financial Statements and Management's Discussion and Analysis, and Independent Auditors' Report Year Ended September 30, 2009, OIG No. 10-1-10TT, March 30, 2010	\$40,952	0	

FISCAL YEAR 2010 AUDIT COST AND RECOMMENDATION STATISTICS

	Audit Title, Number, Date Issued	Recommendations		
		Cost ¹	Made	Status ²
17	District of Columbia Unemployment Compensation Fund Financial Statements (With Independent Auditors' Report Thereon) Year Ended September 30, 2009, OIG No. 10-1-12BH, March 30, 2010	\$54,463	0	
18	District of Columbia Washington Convention Center Authority Financial Statements and Management's Discussion and Analysis, and Independent Auditors' Report Years Ended September 30, 2009, and September 30, 2008, OIG No. 10-1-11ES, March 30, 2010	\$84,653	0	
19	Government of the District of Columbia Memorandum of Recommendations, Year Ended September 30, 2009, OIG No. 10-1-15MA, March 31, 2010	Included in cost of CAFR	61	61 – Closed
20	District of Columbia Annuitants' Health and Life Insurance Employer Contribution Trust Fund Financial Statement and Management's Discussion and Analysis (With Independent Auditor's Report Thereon) Year Ended September 30, 2009, OIG No. 10-1-14RH, April 1, 2010	Included in cost of CAFR	6	6 – Closed
21	University of the District of Columbia Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Fiscal Year Ended September 30, 2009, OIG No. 10-1-17GG, May 13, 2010	Included in cost of CAFR	3	3 – Closed
22	Audit of District Agencies' Implementation of Annual Financial Statement Audit Recommendations, OIG No. 09-1-04AT, May 18, 2010	\$71,381	9	1 – Closed 8 – Open
23	Department of Transportation Report on the Examination of the District of Columbia's Highway Trust Fund Forecast Statements for Fiscal Years 2010-2014 With Actual Audited Figures for Fiscal Year 2009, OIG No. 09-1-23KA(a), May 28, 2010	\$6,698	0	
24	Audit of the Rate-Setting Process for Intermediate Care Facilities for People with Developmental Disabilities, OIG No. 08-2-17HC, June 29, 2010	\$182,587	4	4 – Open

FISCAL YEAR 2010 AUDIT COST AND RECOMMENDATION STATISTICS

	Audit Title, Number, Date Issued	Recommendations		
		Cost ¹	Made	Status ²
25	Payroll Verification Audit for the District of Columbia Public Schools, OIG No. 08-2-02GA, July 30, 2010	\$221,873	6	5 – Open 1 – Closed
26	Report of the Transition Plan for Washington Center for Aging Services, OIG No. 10-1-02BY/HT(a), September 13, 2010	\$59,694	2	2 – Open
27	Audit of Contracting Actions at the Office of the Chief Technology Officer, OIG No. 08-2-06TO(a), September 15, 2010	\$181,913	14	5 – Closed 9 – Open
28	Professional Engineers' Fund Financial Statement Audit for the Year Ended September 30, 2009, 10-1-07CR, September 30, 2010	\$28,453	0	
	Totals	\$5.6 mil	160	Closed - 131 Open - 29

¹ Costs were calculated as the number of hours charged multiplied by the Audit Division's hourly composite rate. Costs associated with the FY 2009 CAFR are not part of the Audit Division's hourly composite rate.

² This column provides the status of a recommendation as of September 30, 2010. 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 2010 AUDIT REPORT SUMMARIES

Audit of Grant Agreement Between the Office of the Attorney General and District of Columbia Bar Foundation, OIG No. 09-2-06CB, October 1, 2009

See narrative provided in Audit Highlights by Theme Section of this report.

Audit of the Office of the Chief Financial Officer's Implementation of Recommendations Contained in the Wilmer Cutler Pickering Hale and Dorr LLP Report of Investigation, OIG No. 09-2-11AT, December 9, 2009

At the request of the D.C. Council, the Wilmer Hale law firm performed a review of the facts and circumstances surrounding the embezzlement of over \$48 million in funds at the Office of Tax and Revenue (OTR). At a hearing on the District's Comprehensive Annual Financial Report (CAFR) for fiscal year 2008, the Committee of the Whole requested that the OIG conduct a review of the Office of the Chief Financial Officer's (OCFO) implementation of recommendations made in the Wilmer Hale report.

Our audit report contains two findings. Finding 1 details control weaknesses and deficiencies surrounding OCFO's management and process for resolving recommendations made in the Wilmer Hale report. As a result of the deficiencies noted in Finding 1, we advised OCFO of the breakdowns in managing the process for addressing recommendations contained in the Wilmer Hale report and allowed the agency additional time to provide us with their official responses to the recommendations. Subsequently, we were able to evaluate OCFO's responsiveness and management actions taken to address recommendations contained in the Wilmer Hale report. Finding 2 states that, in general, OCFO's management actions were responsive to 60 of the 62 (97 percent) recommendations we reviewed. Only two of the management actions we reviewed did not meet the intent of the recommendations.

Office of the Attorney General Antifraud Fund Financial Statement Audit for Fiscal Year Ended September 30, 2008, 09-1-26CB, December 10, 2009

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, 2008, in conformity with accounting principles generally accepted in the United States of America. In accordance with *Government Accounting Standards*, this Office also issued a report on consideration of the Fund's internal control over financial reporting and on tests of the Fund's compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters.

District Department of Transportation Highway Trust Fund Management Letter for the Fiscal Year Ended September 30, 2008, OIG No. 08-01-23KA, December 10, 2009

During our audit of the Highway Trust Fund (HTF) financial statements for FY 2008, we found that the Office of Finance and Treasury (OFT) did not record investment earnings to

FISCAL YEAR 2010 AUDIT REPORT SUMMARIES

the HTF investment account on a monthly basis. As a result, investment activity of approximately \$364,000 was unrecorded at fiscal year-end. Additionally, we identified a lack of effective communication between the Office of Financial Operations and Systems (OFOS) and OFT to ensure that investment account reconciliations were transmitted to OFT for posting unrecorded items in a timely manner.

We directed seven recommendations to OCFO for improving the financial reporting and accounting process of the District Department of Transportation's (DDOT) HTF related to the timely reconciliation and recording of HTF investment activities.

Audit of the Management Operations of the Office of Cable Television, OIG No. 08-1-19CT, December 17, 2009

See narrative provided in Audit Highlights by Theme Section of this report.

Home Purchase Assistance Program (HPAP) Financial Statement Audit and Report on Internal Control Over Financial Reporting and Compliance for the Fiscal Year Ended September 30, 2008, OIG No. 10-1-01DB and 10-1-01DB(a), December 23, 2009

The Independent Auditor's report on the HPAP opined that the financial statements presented fairly, in all material respects, the financial position of the HPAP as of September 30, 2008, and the results of its operations for the year then ended. Also, a report was issued on consideration of the HPAP's internal control over financial reporting and compliance with laws, regulations, contracts, and grants. This audit was conducted by contract under the purview of the OIG.

Office of the Attorney General (OAG) Antifraud Fund Management Letter for the Fiscal Year Ended September 30, 2008, OIG No. 09-1-26CB(b), January 25, 2010

As a result of our audit, we recommended that the OAG/OCFO use the accrual method of accounting as required by statute to record transactions of the Antifraud Fund or seek legislation to amend D.C. Code § 2-308.20(a), to categorize the Fund as a special purpose revenue fund.

Highway Trust Fund Financial Statement Audit for the Fiscal Year Ended September 30, 2009, OIG No. 09-1-33KA, January 29, 2010

In our opinion, the financial statements presented fairly, in all material respects, in conformity with generally accepted accounting principles, the Fund's assets and liabilities as of September 30, 2009, and its revenues, expenditures, and changes in fund balance for the year then ended. The audit did not identify any major issues of internal control weaknesses

FISCAL YEAR 2010 AUDIT REPORT SUMMARIES

or non-compliance with regulations that we considered material or significant deficiencies during our FY 2009 audit.

Comprehensive Annual Financial Report (CAFR) of the Government of the District of Columbia for the Fiscal Year Ended September 30, 2009, OIG No. 10-1-04MA, February 4, 2010

See narrative provided under the Comprehensive Annual Financial Report (CAFR), in the Audit Activities Section of this report.

Independent Auditors' Report on Internal Control and Compliance Over Financial Reporting Fiscal Year Ended September 30, 2009, OIG No. 10-1-03MA, February 2, 2010

See narrative provided under the Comprehensive Annual Financial Report (CAFR), in the Audit Activities Section of this report.

University of the District of Columbia Financial Statements and Management's Discussion and Analysis Fiscal Years Ended September 30, 2009, and 2008, OIG No. 10-1-06GF, February 22, 2010

As part of our contract for the audit of the District of Columbia's general purpose financial statements for FY 2009, the independent auditor issued a final report on the University of the District of Columbia. The independent auditor opined that the financial statements presented fairly, in all material respects, the financial position of the University of the District of Columbia for the years ended September 30, 2009, and 2008, and the changes in its net assets and its cash flow for the years ended are in conformity with accounting principles generally accepted in the United States of America. In accordance with *Government Accounting Standards*, the independent auditor also issued its report on consideration of the University's internal control over financial reporting and on its tests of the University's compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters.

Audit of Selected Contractors at the University of the District of Columbia (UDC), OIG No. 09-2-01GG, March 12, 2010

The audit report found that the UDC Board of Trustees (Board) and UDC employees may have made as many as 114 unauthorized procurements valued at \$958,291 between 2002 and 2007 by entering into oral agreements with various vendors for goods and services. Of 46 unauthorized procurements, which represented 46 claims valued at \$73,725, we only verified the delivery of goods for 10 claims valued at \$18,848. The unauthorized procurements occurred because the Board and UDC employees disregarded or were unaware of the

FISCAL YEAR 2010 AUDIT REPORT SUMMARIES

procurement requirements contained in regulations. In addition, UDC senior management failed to take disciplinary action against employees in accordance with D.C. Code § 2-301.05(d)(2), which contributed to the unauthorized procurements. As a result, UDC cannot be assured of receiving best value for its expenditure of District funds or that all the goods and services were received.

Also, the Board and UDC employees' use of unauthorized procurements caused a vendor to experience payment delays for more than 4 years, and created the appearance that the District was unwilling to pay for goods and services that may have been provided in good faith. Finally, the District policy change from ratification to litigation as a means of rectifying unauthorized procurements will increase the cost for both the vendor and the District in terms of legal fees, interest, and additional administrative costs.

District of Columbia Lottery and Charitable Games Control Board Financial Statements and Management's Discussion and Analysis (With Independent Auditors' Report Thereon) Years Ended September 30, 2009, and 2008, OIG No. 10-1-22DC, March 18, 2010

RAFFA, P.C. submitted the final report on the District of Columbia Lottery and Charitable Games Control Board as part of our contract for the audit of the District of Columbia's general purpose financial statements for FY 2009. RAFFA opined that the financial statements presented fairly, in all material respects, the financial position of the District of Columbia Lottery and Charitable Games Control Board, as of September 30, 2009, and 2008, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with *Government Accounting Standards*, RAFFA also issued its report on consideration of the District of Columbia Lottery and Charitable Games Control Board's internal control over financial reporting and on its tests of the Authority's compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters.

District of Columbia E911/E311 Special Revenue Fund Schedule of Revenues and Expenditures and Independent Auditor's Report Year Ended September 30, 2009, OIG No. 10-1-09UC, March 30, 2010

The independent auditor issued a final report on the District's E911/E311 Special Revenue Fund (Fund) as part of our contract for the audit of the District of Columbia's general purpose financial statements for FY 2009. The independent auditor opined that the financial statements presented fairly, in all material respects, the financial position of the Fund for the fiscal year ended September 30, 2009, in conformity with accounting principles generally accepted in the United States of America. In accordance with *Government Accounting Standards*, the independent auditor also issued its report on consideration of the Fund's

FISCAL YEAR 2010 AUDIT REPORT SUMMARIES

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 Sports and Entertainment Commission Financial Statements Years Ended September 30, 2009, and September 30, 2008, OIG No. 10-1-08SC, March 30, 2010

As part of our contract for the audit of the District of Columbia's general purpose financial statements for FY 2009, the independent auditor issued a final report on the District of Columbia Sports and Entertainment Commission (Commission). The independent auditor opined that the financial statements presented fairly, in all material respects, the financial position of the Commission for the year ended September 30, 2009, and 2008 and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with *Government Accounting Standards*, the independent auditor also issued its report on consideration of the Commission's internal control over financial reporting and on its tests of the Commission's compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters.

District of Columbia Tobacco Settlement Financing Corporation Financial Statements and Management's Discussion and Analysis, and Independent Auditors' Report Year Ended September 30, 2009, OIG No. 10-1-10TT, March 30, 2010

Bert Smith and Company (Bert Smith) prepared the final report on the Tobacco Settlement Financing Corporation (TSFC) as part of our contract for the audit of the District of Columbia's general purpose financial statements for FY 2009. Bert Smith opined that the financial statements presented fairly, in all material respects, the financial position of TSFC for the year ended September 30, 2009, in conformity with accounting principles generally accepted in the United States of America.

District of Columbia Unemployment Compensation Fund Financial Statements (With Independent Auditors' Report Thereon) Year Ended September 30, 2009, OIG No. 10-1-12BH, March 30, 2010

Bert Smith and Company (Bert Smith) prepared the final report on District of Columbia Unemployment Compensation Fund (Fund) as part of our contract for the audit of the District of Columbia's general purpose financial statements for FY 2009. Bert Smith opined that the financial statements presented 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*

FISCAL YEAR 2010 AUDIT REPORT SUMMARIES

Accounting Standards, Bert Smith has also issued its report on consideration of the Fund's internal control over financial reporting.

District of Columbia Washington Convention Center Authority Financial Statements and Management's Discussion and Analysis, and Independent Auditors' Report Years Ended September 30, 2009, and September 30, 2008, OIG No. 10-1-11ES, March 30, 2010

BDO Seidman, LLP (BDO) prepared the final report on the District of Columbia Washington Convention Center Authority (Authority) as part of our contract for the audit of the District of Columbia's general purpose financial statements for FY 2009. BDO opined that the financial statements presented fairly, in all material respects, the financial position of the Authority for the years ended September 30, 2009, and 2008, in conformity with accounting principles generally accepted in the United States of America. In accordance with *Government Accounting Standards*, BDO also issued its report on consideration of the Authority's internal control over financial reporting and on its tests of the Authority's compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters.

Government of the District of Columbia Memorandum of Recommendations, Year Ended September 30, 2009, OIG No. 10-1-15MA, March 31, 2010

In connection with the audit of the District of Columbia's general purpose financial statements for FY 2009, BDO submitted a Memorandum of Recommendations, in previous years known as the Management Letter. This report details certain control deficiencies that require continued management attention. In this regard, BDO set forth suggestions for improving existing internal controls. However, BDO did not consider these matters to be significant deficiencies or material weaknesses. Further, these matters did not affect the fair presentation of the financial statements.

District of Columbia Annuitants' Health and Life Insurance Employer Contribution Trust Fund Financial Statement and Management's Discussion and Analysis (With Independent Auditor's Report Thereon) Year Ended September 30, 2009, OIG No. 10-1-14RH, April 1, 2010

Bert Smith submitted a final report on the District of Columbia Annuitants' Health and Life Insurance Employer Contribution Trust Fund (Fund) as part of our contract for the audit of the District of Columbia's general purpose financial statements for FY 2009. Bert Smith opined that the financial statements presented 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. The financial statements of

FISCAL YEAR 2010 AUDIT REPORT SUMMARIES

the Fund as of and for the year ended September 30, 2008, were audited by other auditors whose report, dated March 26, 2009, expressed an unqualified opinion on those financial statements. In accordance with *Government Accounting Standards*, Bert Smith 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.

University of the District of Columbia Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Fiscal Year Ended September 30, 2009, OIG No. 10-1-17GG, May 13, 2010

BDO issued a final Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters for the University of the District of Columbia (University) as part of our contract for the audit of the District of Columbia's general purpose financial statements for FY 2009.

The report identified one significant deficiency relating to year end accrued leave. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the University's ability to initiate, authorize, record, process, or report financial data reliably. BDO directed three recommendations to the University to correct the significant deficiency. The independent auditor opined that the financial statements presented fairly, in all material respects, the financial position of the University 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*, the independent auditor also issued its report on consideration of the University's internal control over financial reporting and on its tests of the University's compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters.

Audit of District Agencies' Implementation of Annual Financial Statement Audit Recommendations, OIG No. 09-1-04AT, May 18, 2010

CAFR Committee requested this audit as part of the committee's oversight process. We conducted an audit of selected District agencies to determine whether findings and recommendations identified in the District of Columbia's Independent Auditors' Report on Internal Control and Compliance Over Financial Reporting for Fiscal Year Ended September 30, 2008 (Yellow Book audit) have been implemented. The Yellow Book audit report was issued on February 4, 2009. Our report summarizes the results of the assessment of District agencies' compliance with the Yellow Book audit recommendations.

The audit's objective was to determine whether agencies have implemented the agreed-to recommendations that were intended to correct material weaknesses and significant

FISCAL YEAR 2010 AUDIT REPORT SUMMARIES

deficiencies noted in the Yellow Book audit report. The audit included review and evaluation of corrective actions taken by 15 agencies on 24 of 119 (20%) recommendations made in the Yellow Book audit report. Prior to the issuance of the draft audit report, agencies were provided preliminary audit results for management action and comment.

Our audit found that OCFO has established a collaborative process for tracking the Yellow Book audit report recommendations, developing corrective action plans, monitoring remediation efforts, and verifying completed actions. Adequate controls appeared to be in place over the maintenance of audit follow-up files at OCFO's Office of Integrity and Oversight Internal Audit division. Our review identified opportunities for strengthening management controls over the tracking, monitoring, administration, and reporting of corrective actions taken by agencies to address audit issues identified by the District's independent auditors.

Department of Transportation Report on the Examination of the District of Columbia's Highway Trust Fund Forecast Statements for Fiscal Years 2010-2014 With Actual Audited Figures for Fiscal Year 2009, OIG No. 09-1-23KA(a), May 28, 2010

Our examination included testing internal 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. We opined that the forecasted statements were presented in conformity with guidelines for presentation of forecasted information established by the American Institute of Certified Public Accountants. Additionally, we found that the underlying assumptions made and methodologies used to develop the statements provided a reasonable basis for the 5-year forecast.

Audit of the Rate-Setting Process for Intermediate Care Facilities for People with Developmental Disabilities, OIG No. 08-2-17HC, June 29, 2010

See narrative provided in Audit Highlights by Theme Section of this report.

Payroll Verification Audit for the District of Columbia Public Schools, OIG No. 08-2-02GA, July 30, 2010

See narrative provided in Audit Highlights by Theme Section of this report.

FISCAL YEAR 2010 AUDIT REPORT SUMMARIES

Report of the Transition Plan for Washington Center for Aging Services, OIG No. 10-1-02BY/HT(a), September 13, 2010

This report summarizes the results of OIG's Management Alert Report (MAR) on the need to enhance the transition plan for the Washington Center for Aging Services (WCAS). The OIG issued this MAR during the audit of the two District-owned nursing homes because of the District's imminent plan to change the operation of WCAS from a management contract to a ground lease. The overall objectives of the audit were to determine compliance by District of Columbia Office on Aging (DCOA) and the Office of Contracting and Procurement (OCP) with the District's contract award and administrative procedures for nursing home contracts.¹ However, during the beginning of the audit, we found that the District was planning to lease the facilities to private operators. As a result, we decided to issue the MAR to focus management on the transition from operating nursing homes to leasing them, which is a significant change for the District. We determined that DCOA needs to enhance the current transition plan because there are multiple issues involved in moving to a ground lease arrangement from a management contractor that has operated the nursing home for over 20 years. Improving the transition plan will protect the interests of the District and help ensure the new leaseholder assumes operations with the least disruption possible.

Audit of Contracting Actions at the Office of the Chief Technology Officer, OIG No. 08-2-06TO(a), September 15, 2010

See narrative provided in Audit Highlights by Theme Section of this report.

Professional Engineers' Fund Financial Statement Audit for the Year Ended September 30, 2009, 10-1-07CR, September 30, 2010

In our opinion, the financial statements presented fairly, in all material respects, the financial position of the Department of Consumer and Regulatory Affairs – Professional Engineers' Fund as of September 30, 2009, and the results of its operations for the year then ended, in conformity with Generally Accepted Accounting Principles. We did not identify any major issues of internal control weaknesses or noncompliance with regulations that we considered material or reportable conditions during our audit.

¹ Audit work in this regard continues, and additional report(s) will be issued when all fieldwork is completed.

**FISCAL YEAR 2010 INSPECTIONS AND EVALUATIONS DIVISION
PERFORMANCE MEASURES STATISTICS**

Activity	FY 2010 Target	FY 2010 Actual
Number of Final Inspection/Evaluation Reports Issued	10	10

**FISCAL YEAR 2010 INSPECTIONS AND EVALUATIONS DIVISION
FINDINGS AND RECOMMENDATIONS STATISTICS**

Report	Findings	Recommendations
MAR 10-I-001: Metropolitan Police Department – <i>Youth Investigations Division: Service Weapons Poorly Secured at the Juvenile Processing Center; Inadequate Policy and Procedures for Reporting and Investigating Missing Weapons</i>	2	4
10-I-0033DH: Public Service Commission – <i>Report of Inspection</i>	13	19
10-I-0034LQ: Alcoholic Beverage Regulation Administration – <i>Report of Special Evaluation</i>	9	8
10-I-0035BN: Homeland Security and Emergency Management Agency – <i>Report of Inspection</i>	5	5
MAR 10-I-002: Department of Human Services: Adult Protective Services Division – <i>Sensitive and Legally-Protected Information Not Secured; APS Social Workers Not Able to Maintain Privacy When Discussing Confidential Client Information</i>	2	3
10-I-0036AM: Department of Real Estate Services: Protective Services Police Department – <i>Report of Special Evaluation</i>	14	21
MAR 10-I-003: Metropolitan Police Department; Child and Family Services Agency – <i>MPD Officers' Responses to Suspected Child Abuse and Neglect Hindered by Policy and Training Deficiencies</i>	2	5

**FISCAL YEAR 2010 INSPECTIONS AND EVALUATIONS DIVISION
FINDINGS AND RECOMMENDATIONS STATISTICS**

Report	Findings	Recommendations
MAR 10-I-004: Department of Health – <i>DOH Not Complying with District Law That Requires Health Professional License Applicants to Undergo a Criminal Background Check</i>	1	1
MIR 10-I-001: Office of the City Administrator – <i>Inadequate Safeguarding of Sensitive Employee, Customer, and Client Information in District Agencies: A Recurrent Failure</i>	1	4
10-I-0037JM: Department on Disability Services – <i>Report of Inspection</i>	12	18
Total	61	88

**FISCAL YEARS 2009 & 2010 INVESTIGATIONS DIVISION
PERFORMANCE MEASURE STATISTICS**

Activity	FY 2009 Targets	FY 2009 Actuals	FY 2010 Targets	FY 2010 Actuals
Evaluate all complaints within 10 days of receipt in the Investigations Division	82%	99%	82%	99%
Complete or convert every preliminary investigation within 30 business days of assignment to investigator in the Investigations Division	80%	95%	80%	100%
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%	100%	85%	95%

**INVESTIGATIONS DIVISION PERFORMANCE STATISTICS
FISCAL YEARS 2007 - 2010**

Activity	FY 2007	FY 2008	FY 2009	FY 2010
Complaints Received	551	585	635	610
Formal Investigations Opened	118	208	136	129
Formal Investigations Closed	175	130	79	116
Zero Files	88	97	170	173
Referrals	301	280	329	308
Referrals Closed	316	272	296	269
Cases Presented to USAO	92	90	37	48
Cases Accepted by USAO	22	26	18	26
Restitution Orders and Fines	\$2,525,460.27	\$5,005,256.79	\$127,230,002.44	\$2,690,643.24
Recoveries	\$49,655.41	\$460,184.21	\$11,807.14	\$27,867.15
Convictions	12	30	16	22
Indictments	7	7	17	6
Searches Conducted	7	12	22	6
Subpoenas Served	49	78	132	350
ROIs	6	7	4	8
MARs	0	4	2	3
SARs	15	19	11	14
Investigative Referrals*				24

*This is a new report initiated in FY 2010.



**FISCAL YEAR 2010 INVESTIGATIONS DIVISION
CASES CLOSED BY AGENCY**

Agency/Department/Office	Total
Administrative Hearings, Office of	1
Alcoholic Beverage Regulation Administration	2
Chief Financial Officer, Office of the	4
Chief Technology Officer, Office of the	7
Child and Family Services Agency	3
Consumer and Regulatory Affairs, Department of	4
Contracting and Procurement, Office of	2
Corrections, Department of	1
Council, District of Columbia	2
Deputy Mayor for Economic Development, Office of	1
Disability Services, Department on	2
Employment Services, Department of	12
Environment, Department of	2
Fire & Emergency Medical Services, Department of	2
Health, Department of	5
Housing Authority, District of Columbia	1
Human Resources, Department of	2
Human Services, Department of	4
Inspector General, Office of the	3
Mental Health, Department of	2
Metropolitan Police Department	6
Motor Vehicles, Department of	3
Parks and Recreation, Department of	3
Private Entity	1
Public Charter School Board	1
Public Library, District of Columbia	1
Public Schools, District of Columbia	9
Public Works, Department of	2
Real Estate Services, Department of	2
Retirement Board	1
Risk Management, Office of	2
Secret Service, United States	1
Small, Local, and Disadvantaged Business Development, Office of	2
State Superintendent of Education, Office of the	4
Superior Court, District of Columbia	2
Taxicab Commission, District of Columbia	1

**FISCAL YEAR 2010 INVESTIGATIONS DIVISION
CASES CLOSED BY AGENCY**

Agency/Department/Office	Total
Transportation, Department of	4
Unified Communications, Office of	5
Youth Rehabilitation Services, Department of	3
Water, District of Columbia	1
Total Closed Investigations	116

FISCAL YEAR 2010 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	2	5	5	3	15
Physical assaults or threats of violence	0	1	1	2	4
Fraud, theft, or false claims	6	8	9	11	34
Bribery, extortion, kickbacks, or illegal gratuities	2	1	0	1	4
Misuse of government funds or property, or use of official position for private gain	0	9	4	3	16
Governmental waste, inefficiency, or mismanagement	5	2	10	9	26
Contract fraud or procurement violations	2	1	2	5	10
False statements	0	1	0	0	1
Ethics violations and conflicts of interest	1	0	2	1	4
Time and attendance fraud	2	0	1	1	4
Harassment, retaliation, or abuse of authority by a supervisor or by another government official	0	0	4	5	9
Hiring, promotion, or other treatment of employees in violation of personnel regulations	3	3	2	3	11
Incivility or lack of response from an agency	2	2	1	2	7
Miscellaneous	2	3	3	2	10
Totals	27	36	44	48	155

FISCAL YEAR 2010 INVESTIGATIONS DIVISION REFERRAL STATISTICS

Agency	No. of Referrals
Advisory Neighborhood Commissions, Office of	3
Alcoholic Beverage Regulation Administration	2
Attorney General for the District of Columbia, Office of	6
Auditor	2
Bar Counsel, Office of	1
Board of Elections and Ethics	3
Campaign Finance, Office of	2
Chief Financial Officer, Office of the	7
Chief Technology Officer, Office of the	2
Child and Family Services Agency	1
Consumer and Regulatory Affairs, Department of	19
Contracting and Procurement, Office of	8
Corrections, Department of	3
Council of the District of Columbia	1
Disability Services, Department on	2
Employment Services, Department of	9
Federal Referrals*	36
Fire and Emergency Medical Services, Department of	1
Health, Department of	2
Homeland Security and Emergency Management Agency	1
Housing Authority	4
Housing and Community Development, Department of	2
Human Resources, Department of	12
Human Rights, Office of	1
Human Services, Department of	22
Inspector General, Office of (Audit Division)	2
Inspector General, Office of (Inspections and Evaluations Division)	2
Inspector General, Office of (Medicaid Fraud Control Unit)	12
Lottery and Charitable Games Control Board	1
Mayor's Office of Community Relations and Services	1
Mental Health, Department of	2
Metropolitan Police Department	24

FISCAL YEAR 2010 INVESTIGATIONS DIVISION REFERRAL STATISTICS

Agency	No. of Referrals
Motor Vehicles, Department of	25
National Guard	1
Parks and Recreation, Department of	8
Police Complaints, Office of	1
Public Schools	12
Public Schools (Public Education Facilities Management, Office of)	1
Public Works, Department of	8
Real Estate Services, Department of	4
Recorder of Deeds, Office of the	1
Risk Management, Office of	4
Split Referrals**	16
State Superintendent of Education, Office of the	1
Transportation, Department of	5
State Referrals***	2
Tax and Revenue, Office of	10
Taxicab Commission	3
Unclaimed Property Unit	1
Unified Communications, Office of	2
University of the District of Columbia	3
Water, District of Columbia	2
Youth Rehabilitation Services, Department of	2
Total Referrals	308

* Federal Referrals (36)

Defense, Office of Inspector General	2
Environmental Protection Agency	1
Federal Bureau of Indian Affairs	1
Federal Bureau of Investigation	2
Federal Bureau of Prisons	1

FISCAL YEAR 2010 INVESTIGATIONS DIVISION REFERRAL STATISTICS

Federal Emergency Management Agency	1
Health and Human Services, Department of	1
Health and Human Services, Office of the Inspector General	3
Homeland Security, Department of	1
Housing and Urban Development, Department of	1
Housing and Urban Development, Office of the Inspector General	3
Immigration and Customs Enforcement	1
Internal Revenue Service	2
Justice, Office of the Inspector General, Department of	7
Office of Special Counsel	2
Postal Service, Office of the Inspector General	1
Superior Court for the District of Columbia	1
U.S. Army Corps of Engineers, Office of the Inspector General	1
Veterans' Affairs, Department of	1
Veterans' Affairs, Office of the Inspector General, Department of	1
Washington Metropolitan Area Transportation Authority - OIG	1
Washington Metropolitan Area Transportation Authority	1

**** Split Referrals (16)**

U.S. Dept. of Labor OIG and Immigration and Customs Enforcement
 D.C. Superior Court and Dept. of Human Services
 Child and Family Services Agency and Dept. of Human Services
 Child and Family Services Agency and Metropolitan Police Dept.
 D.C. Housing Authority and Dept. of Consumer and Regulatory
 Affairs
 D.C. Office on Aging and the Community Partnership/Homelessness
 D.C. Public Schools and Dept. of Human Services
 Dept. of Consumer and Regulatory Affairs and Office of the
 Attorney General
 Dept. of Consumer and Regulatory Affairs and Office of Tax and
 Revenue
 Dept. of Consumer and Regulatory Affairs and Dept. of Health
 Dept. of Health and OIG Medicaid Fraud Control Unit
 Dept. of Public Works and Dept. of Motor Vehicles

FISCAL YEAR 2010 INVESTIGATIONS DIVISION REFERRAL STATISTICS

Metropolitan Police Department and Dept. of Real Estate Services
Metropolitan Police Department and Federal Bureau of
Investigation
Metropolitan Police Department and Office of Bar Counsel
Metropolitan Police Department, Fire/EMS, and D.C. Water

*** State Referrals (2)

Office of the District Attorney for the City of Philadelphia, PA
Human Services Department in San Antonio, TX

APPENDIX O

FISCAL YEAR 2010 INVESTIGATIONS DIVISION REFERRAL RESOLUTIONS

Referral Resolutions	No. of Referrals
Referred With No Response Requested	198
Matter Referred for Criminal Prosecution	0
Case Closed Administratively After Response Received	46
Contract/Contractor Terminated or Ended	1
Employee Disciplined or Terminated	0
Employee Resigned or Retired	0
Employee Referred to Employee Assistance Program	0
Counseling, Training, or Instruction Provided	1
Restitution/Recovery/Fine	6
Cost Avoidance	0
Agency Reviewed, Revised, or Re-Enforced Its Procedures and Policies	8
Other/Miscellaneous *	3
Agency Sub-Referred OIG Referral	0
Agency Refused/Failed to Investigate, Address, or Implement OIG Recommendations	0
Case Closed With Letter of Delinquency to Mayor **	6
Total	269

*Three cases were consolidated into other cases

**Department of Employment Services	2
**Department of Housing and Community Development	1
Department of Human Resources *	1
Department of Public Works *	1
Office of Advisory Neighborhood Commissions *	1
*** Response subsequently received	

**FISCAL YEAR 2010 MEDICAID FRAUD CONTROL UNIT
PERFORMANCE MEASURE STATISTICS**

Performance Goal	FY 2010 Target	FY 2010 Actual
Obtain 12 criminal/civil resolutions (plea, settlement, or verdict) in fiscal year	16	26

**MEDICAID FRAUD CONTROL UNIT PERFORMANCE STATISTICS FISCAL
YEARS 2009 & 2010**

Performance Statistics	FY 2009	FY 2010
Number of unusual incident reports received	4,234	3,900
Number of fraud matters initiated	42	51
Number of abuse, neglect, or sexual assault matters initiated	235	114
Number of theft or funds misappropriation matters initiated	8	11
Provide training/in-service education to relevant entities	3	6
Criminal and Civil Resolutions	19	26
Criminal Convictions	15	13
Plea Agreements	8	7
Guilty Verdicts	7	6
Criminal Acquittals		1
Civil Resolutions	4	12

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