

TESTIMONY OF DANIEL W. LUCAS, INSPECTOR GENERAL

**BEFORE THE
COUNCIL OF THE DISTRICT OF COLUMBIA
COMMITTEE ON FINANCE AND REVENUE**

FISCAL YEAR 2016 BUDGET REVIEW

APRIL 25, 2016

Good morning Chairman Evans and Members of the Committee. I am Daniel W. Lucas, Inspector General for the District of Columbia. I am pleased to testify before you today concerning the proposed fiscal year (FY) 2017 budget request for the Office of the Inspector General (OIG). With me today to assist in the presentation are Ms. Marie Hart, Principal Deputy Inspector General; Ms. Karen Branson, General Counsel; Ms. Jaime Yarussi, Deputy Inspector General for Business Management; and Dr. James Hurley, Agency Fiscal Officer.

AGENCY MISSION

As you are aware, the OIG conducts independent audits, investigations, and inspections, to detect and prevent corruption, fraud, waste, abuse, and mismanagement; and, to help the District of Columbia government improve its programs and operations by promoting economy, efficiency, and effectiveness. To execute our mission effectively we require sufficient resources to meet the broad oversight needs of the District.

BUDGET OVERVIEW

Before I outline our FY 2017 budget request, I would like to briefly discuss the OIG's budget request process as it is codified in our enabling legislation. The OIG's enabling legislation [D.C. Code § 1-301.115a (Supp. 2015) section (a)(2)(A)] states that the OIG "shall prepare and submit to the Mayor . . . annual estimates of the expenditures and appropriations necessary for the operation of the [OIG] for the year." These estimates are then "forwarded by the Mayor to the Council . . . , without revision, but subject to recommendations." Finally, the Council may "comment or make recommendations concerning [the OIG's] estimates, but shall have no authority to revise these estimates."

This legislation affords the OIG with resource independence to ensure that we are free from external pressures that may adversely affect our oversight work. I view this independence as a great responsibility that must be exercised with due professional care. I realize the OIG must exercise our leadership through example, to include judicious planning and utilization of the District's finite resources. As I mentioned during the OIG's *FY 2016 Performance Hearing*, I felt the OIG needed additional resources to meet its mission; however, to ensure that our request was fair and equitable, I conducted a careful study of the OIG's current resource level and match that to current and future expectations of the OIG, in order to ensure future requirements could be met with our proposed budget.

FY 2017 OIG BUDGET REQUEST

After a year of internal evaluation, standing up two new divisions, repurposing FY 2016 resources, and engaging in discussions with both the Council and the Executive, I would like to present the OIG's FY 2017 budget request, which we believe reflects the requirements needed to effectively and efficiently operate our agency.

Our FY 2017 budget reflects three enhancement requests that support our FY 2016 realignment and FY 2017 organizational priorities. These three enhancement requests are designed to replace the resources that were realigned in FY 2016 and afford us additional capacity to undertake additional oversight work. Additionally, for FY 2017, our budget reflects our new divisions, RAFP and QM, although both have been operating during the current FY. In planning for our FY 2017 budget request, we spent a considerable amount of time ensuring that we categorized funds according to specific divisions and units. These changes to our budget structure will enhance transparency, and assist OIG leadership in better planning, managing, and utilizing our apportioned resources.

For FY 2017, the OIG's gross budget request is \$21.4 million. This request comprises \$18.8 million in local funds and \$2.6 million in federal grant funds. This is a 24 percent increase over our approved FY 2016 gross budget (\$17.2 million). The increase in our FY 2017 budget request is to support three separate enhancements:

- **Enhancement 1** (\$326 thousand in PS funds): is to provide salary adjustments for managerial staff due to pay compression, fund the conversion of Excepted Service (ES) legal staff to Legal Service (LS) Pay schedules; and to fully fund a 3 percent cost-of-living adjustment for Management Supervisory Service (MSS) and ES staff.
- **Enhancement 2** (\$1.0 million in PS funds): is to provide an additional 18 FTEs to the OIG. This enhancement will add: (1) 5 FTEs to the Audit Unit; (2) 3 FTEs to the QM Division; (3) 2 FTEs to support the Agency Management Division; (4) 1 FTE to support the Office of General Counsel; and (5) add 8 FTEs to the Medicaid Fraud Control Unit (6 FTEs are 75% federally funded and 2 FTEs are 100% federally funded).

- **Enhancement 3** (\$2.5 million in NPS funds): is to complete the legislatively-mandated audit of District procurement processes; upgrade the OIG's information technology infrastructure and security; increase training funds for staff; and address and continue the improvements outlined in the OIG's safety assessment conducted by DGS in FY 2015.

Our requested enhancements will translate into a more effective and efficient OIG for the District of Columbia. As the District continues to evolve, so too must the OIG. As the District's budget increases, so does the work for the OIG. If we are not properly resourced, our ability to provide oversight will be less than optimal. The requested FY 2017 enhancements will allow the OIG to be more efficient and effective by: improving technology; making work more timely and impactful for our stakeholders; making the OIG competitive in the job market; and ultimately increasing our capacity to address corruption, fraud, waste, abuse, and mismanagement by having more staff to execute additional oversight work.

The OIG's FY 2017 Budget Recommendations from the Mayor

Our enabling legislation affords the Mayor an opportunity to comment on our budget submittal and provide recommendations. Following our FY 2017 budget request, the Mayor recommended the OIG's adjusted gross budget be \$18.5 million. Included in the Mayor's recommendation is a one-time increase of \$1.0 million in NPS funds for supplies and services. Overall, the Mayor's recommendation is \$2.8 million less than our request.

Following the Mayor's transmittal of the OIG's budget to the Council, I met with the Mayor to discuss her recommendation. The Mayor was amenable to supporting the OIG's budget request, and engaged the City Administrator to locate additional dollars to support our request.

The City Administrator was able to offer an additional \$800,000. Because the requested

enhancements are recurring costs, we have elected to spread the \$800,000 across the 4-year financial plan. It is my understanding that this revised budget recommendation will be transmitted to the Council via a forthcoming errata letter.

In addition to the \$1.0 million in NPS enhancement originally recommended by the Mayor and transmitted to Council, we are hopeful that the Council will support and approve this additional adjustment to the OIG's budget, and also consider additional resources to get us closer to our three enhancement requests. We are appreciative of the Mayor and City Administrator's efforts to meet the OIG's resource needs and are committed to working with the Committee and Council to approve the remaining requested OIG enhancements.

OIG Plans for FY 2017 and Beyond

The funding to support our FY 2017 request will translate into the following activities visible to the Council, the Executive, OIG stakeholders, and to District residents:

- The OIG will have the capacity to address emergent issues and be able to attract, train, and retain experienced personnel to provide oversight to some of the District's largest risk areas.
- The OIG will execute a District-wide procurement system audit that is in line with the Comprehensive Annual Financial Report (CAFR) audit. Leveraging the remediation successes we have had with both the City Administrator and the Chief Financial Officer following the CAFR audit, we anticipate collaborating with stakeholders to address any deficiencies identified following the procurement audit.
- The OIG will increase its oversight of the District's Medicaid program. Specifically, the OIG will use the additional 6 FTEs to focus on the District's Medicaid Program, as well

as begin a new partnership with the Social Security Administration and staffing that program with 2 FTEs. Medicaid Fraud oversight continues to be a substantial part of OIG operations. District stakeholders see results through the growing criminal referrals and civil recoupments related to the program.

CONCLUSION

In conclusion, Chairman Evans and members of the Committee, I am excited about the direction we are moving in for FY 2017. We will continually seek opportunities to enhance the value we provide to the District, and enhance our practices to ensure we identify and mitigate risks that pose the most serious challenges to District agencies and stakeholders.

This concludes my testimony, and I am happy to answer your questions.