

TESTIMONY OF DANIEL W. LUCAS, INSPECTOR GENERAL
BEFORE THE
COUNCIL OF THE DISTRICT OF COLUMBIA
COMMITTEE ON GOVERNMENT OPERATIONS & FACILITIES

BUDGET OVERSIGHT HEARING ON THE
OFFICE OF THE INSPECTOR GENERAL’S
FISCAL YEAR 2022 BUDGET

June 16, 2021

Good afternoon Chairperson White and Members of the Committee. I am Daniel W. Lucas, Inspector General for the District of Columbia. I am pleased to appear virtually before the Committee to review the Office of the Inspector General (OIG) budget submission for fiscal year (FY) 22. Joining me to assist in the presentation are Ms. Jaime Yarussi, Deputy Inspector General for Business Management, and Dr. James Hurley, Agency Fiscal Officer.

Today, I would like to touch on three specific areas, which include: (1) the OIG’s unique budget process; (2) our prior FY budgets and concessions made in response to the COVID-19 public emergency; and (3) our FY 22 proposed budget and additional enhancement requests designed to address critical oversight needs.

BUDGET PROCESS

The OIG has a unique budget process as compared to other agencies. Specifically, the OIG’s enabling legislation 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, including recommendations on reallocating any funds from the Inspector General’s estimates to other items in the District Budget.”¹

Now, I would like to introduce to both the Committee, as well as those watching this hearing, the premise of funding the OIG commensurate with its oversight responsibility. For the OIG to meet its statutory mission, we must be adequately resourced. As we see in the proposed FY 22 budget currently under consideration, the District has \$17.5 billion at its disposal to fund the District government and provide needed services to its residents. When comparing the OIG to the District’s budget growth, the OIG’s budget has remained flat, while the District’s budget has grown 33 percent (FYs 15-22). The District’s historic budget level, coupled with corresponding increases to programs and operations to assist in pandemic recovery, creates corresponding resource needs for the OIG to address these additional oversight requirements.

Funding the OIG’s budget estimates without revision affords the OIG a measure of autonomy over its budget. As an OIG professional standard, budget autonomy is imperative to ensuring an OIG operates with integrity, objectivity, independence – in both fact and appearance – and without fear or favor in combatting corruption, fraud, waste, abuse, and mismanagement in District programs and operations.

The OIG’s estimates for the expenditures and appropriations reflect our analysis of resources required to provide effective oversight of the District’s dynamic budget and operations.

¹ D.C. Code § 1-301.115a (a)(2)(A).

Consequently, the lack of support for the OIG's budget estimates directly impacts our effectiveness and efficiency in providing oversight.

OIG's FYs 20 and 21 BUDGET EXPENDITURES, TO DATE

In FY 20, during the COVID-19 public emergency, the OIG relinquished approximately \$1.3 million back to the District to help address anticipated budget shortfalls. Additionally, during FY 20, the OIG agreed to the following to support the District's efforts to improve its financial position:

- Freeze the recruitment of five (5) positions;
- Reduce all non-essential travel for OIG staff; and
- Freeze all personnel-related adjustments and payments, excluding within-grade increases for Career Service staff.

Last October, as FY 21 began and the District projected additional revenue losses, the OIG received a mid-year reduction to our approved budget of about 4.7 percent (\$745 thousand), which resulted in freezing two (2) additional positions and delayed planned salary increases for staff. The OIG did not seek any enhancement requests in FY 21 due to the uncertainty of the pandemic and its impact on the District's financial position.

In addition to the seven (7) frozen positions, we currently have eighteen (18) vacancies that we are actively working to fill. Of those 18 positions, nine (9) are actively in recruitment, three (3) are awaiting realignment, and six (6) are awaiting action by the OIG. In past hearings, I have been asked why the OIG continues to face ongoing and prolonged vacancies despite our continual enhancement requests. There are a multitude of factors to consider while filling

vacancies. For example, many of the vacancies require specialized training or certification, which severely limits our candidate pool. Further, the OIG is in competition with other oversight entities such as federal OIGs, of which there are currently 73 in the DC metro area; and just as many local and internal oversight entities. In other instances, internal and external promotions will create vacancies. With any vacancy, my team ensures potential candidates meet our expectations and requirements, are fairly considered and evaluated for a position, and our hiring process comports with all applicable laws, rules, regulations, and policies.

The idea that continued vacancies do not warrant increases to the OIG's budget is flawed. Vacancies are dynamic and subject to change given many factors, which will temporarily impact the OIG's resources. However, the OIG's budget must remain constant and predictable to plan for and conduct oversight activities that protect the District against corruption, fraud, waste, abuse, and mismanagement. Relying on any additional resources due to temporary vacancies is not a prudent means for the OIG to estimate the expenditures and appropriations necessary for our operations. As in years past, I have no qualms with requesting reprogramming dollars to fulfill other OIG needs, and returning OIG budget authority after all commitments have been met.

To date, the OIG has expended 46 percent of its FY 21 budget and has another 51 percent available. During the remainder of FY 21, the OIG is working on an agency realignment. This realignment was borne from our internal strategic planning process. During this process, OIG leaders carefully studied our mission; identified key partners, activities, and resources; and summarized the various means by which we can communicate and deliver information to our various market and customer segments. Once implemented, we believe this realignment will

help the OIG better deliver on its value proposition of fighting fraud, waste, abuse, and mismanagement in District programs and operations. This realignment will be reflected in future budgets.

THE OIG’S PROPOSED FY 22 BUDGET AND ENHANCEMENT REQUESTS

For FY 22, the OIG initially received a proposed MARC that reflected a 7.5 percent reduction from our FY 21 approved budget. Following receipt of our proposed FY 22 MARC, my team worked collaboratively with members from the City Administrator's Office to reduce the proposed cuts to the OIG’s FY 22 budget. As a result, the OIG’s proposed budget – absent any additional enhancement requests – resulted in a decrease of 0.3 percent from our FY 21 approved budget.

Given the lack of budget growth in the OIG’s FY 22 proposed MARC, the OIG made two separate enhancement requests and proposed legislation that would create a non-lapsing fund to allow us to keep 30 percent of restitutions, recoveries, and overpayments that are the result of our work. I want to discuss these enhancement requests and legislative proposal with the Committee and conclude with the ultimate impact on the OIG’s current and future budgets.

Enhancement Request 1 – NPS Enhancement to Unfreeze Positions. In our first enhancement request, we requested \$271 thousand to allow the OIG to un-freeze five (5) positions due to our FY 22 MARC reduction. This enhancement request was not included in the proposed budget sent to the Council. In discussions with members of the Office of Budget and Performance Management, this oversight will be addressed in the forthcoming errata letter. I will keep this Committee apprised of this matter as budget deliberations continue.

Enhancement Request 2 – Funding for Oversight of Congressional Appropriations. In our second enhancement request, we asked for \$3.38 million to fund both full-time equivalent (FTE) and NPS resources specifically to provide oversight to the over \$2.5 billion in Congressional appropriations made to the District for COVID-19 public emergency response and recovery. This enhancement mirrors what Congress has done for federal office of inspectors general to combat risks of fraud, waste, and abuse due to the influx of resources and the creation of new programs. With these additional resources, we expect to hire ten (10) term FTEs who will encompass a broad array of specializations. It is important to note that this enhancement is temporary and will not be reflected as OIG budget growth in perpetuity. This enhancement request was included in the proposed budget sent to Council.

Proposed Budget Support Act Legislation. Finally, the OIG submitted proposed legislation to be included with the FY 22 Budget Support Act, entitled the “Inspector General Support Fund Establishment Amendment Act of 2021.” This legislation would establish a non-lapsing fund to collect 30 percent of restitutions and recoupments resulting from the OIG’s law enforcement efforts and 30 percent of District revenue received from recaptured overpayments resulting from an OIG audit. Following the Executive’s review of our proposed legislation, the percentages of our restitution, recoupment, and recaptured overpayments were reduced to 25 percent. Notwithstanding the percentages, the OIG will be able to leverage the fund to maintain any unspent year-end local funds (up to \$1 million). The creation of this support fund will be a resource for the OIG to quickly address emergent oversight needs that are otherwise not included as an annual appropriation.

CONCLUSION

In conclusion, Chairperson White and members of the Committee, I revisit my initial budgetary oversight premise – the idea of adequately funding OIG oversight in the District. As the District pivots from pandemic response to recovery and is armed with a historic budget growth/increase to accomplish this task, the OIG’s budget must also reflect our estimated expenditures and appropriations necessary to operate the OIG in FY 22 and beyond. If left unaddressed, the various impacts to the OIG’s budget will greatly impact our ability to meet our mission, given the increased oversight requirements borne from a \$17.5 billion dollar budget.

While I appreciate the Executive advancing both our COVID-19 oversight enhancement request and proposed support fund legislation, I am concerned about the OIG’s ability to meet current and future District oversight needs. In that regard, I will be following up with the Committee in writing to outline ways in which the OIG’s budget can be revised to reflect: (1) the totality of our enhancement requests; (2) resources needed to return our budget to pre-pandemic funding levels; and (3) incremental increases to bring our budget into proportion with the District’s year-over-year growth.

Finally, I would be remiss if I did not highlight and thank the OIG’s incredible staff. Their professionalism and commitment to the OIG’s mission resulted in continued oversight of District programs and operations despite the challenging conditions related to the COVID-19 public emergency.

Again, thank you, Chairperson White and Members of the Committee, for the opportunity to discuss the OIG’s FY 22 budget. I look forward to working with you and your staff to address

budget impacts to the OIG that have and will continue to impact the OIG's ability to help safeguard the District's finite resources and prevent and detect corruption, fraud, waste, abuse, and mismanagement.

This concludes my testimony, and I welcome the opportunity to respond to your questions.