

**TESTIMONY OF AUSTIN A. ANDERSEN  
INTERIM INSPECTOR GENERAL  
BEFORE THE D.C. COUNCIL COMMITTEE ON GOVERNMENT OPERATIONS  
FISCAL YEAR 2004 PERFORMANCE REVIEW**

**FEBRUARY 28, 2005**

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GOOD AFTERNOON CHAIRMAN ORANGE AND MEMBERS OF THE COMMITTEE. I AM AUSTIN ANDERSEN, THE INTERIM INSPECTOR GENERAL, AND I APPRECIATE VERY MUCH YOUR KIND WORDS ABOUT MY TEMPORARY TIME IN OFFICE EARLIER TODAY AT THIS HEARING . SEATED WITH ME ARE WILLIAM DIVELLO, THE ASSISTANT INSPECTOR GENERAL (IG) FOR THE AUDIT DIVISION; ROBERT ANDARY, THE ASSISTANT IG FOR THE INVESTIGATIONS DIVISIONS (ID); ALVIN WRIGHT, THE ASSISTANT IG FOR THE INSPECTIONS AND EVALUATIONS DIVISION (I&E); AND SUSAN KENNEDY, DIRECTOR OF THE MEDICAID FRAUD CONTROL UNIT (MFCU).

I AM PLEASED TO TESTIFY AT THIS PERFORMANCE HEARING, WHICH COVERS THE OFFICE OF THE INSPECTOR GENERAL'S STATISTICAL REPORTING OF ACCOMPLISHMENTS IN FY 2004 AND THE FIRST QUARTER OF FY 2005.

**PERFORMANCE SUMMARY**

DURING FY 2004 AND FOR THE FIRST QUARTER OF FY 2005, ALL FOUR OF OUR DIVISIONS – AUDIT, INSPECTIONS, INVESTIGATIONS, AND THE MEDICAID FRAUD CONTROL DIVISION (MFCU) – MET OR SIGNIFICANTLY EXCEEDED MOST OF THE PERFORMANCE MEASURES THAT SUPPORT THE INDIVIDUAL

DIVISION GOALS. THE DIVISION GOALS FOR FY 04 AND 05 ARE AS FOLLOWS:  
PROMOTE ECONOMY, EFFICIENCY, AND EFFECTIVENESS, AND IMPROVE  
FINANCIAL MANAGEMENT (AUDIT); ABATE PUBLIC CORRUPTION AND FRAUD  
IN DISTRICT AGENCIES (INVESTIGATIONS); PROMOTE ECONOMY, EFFICIENCY  
AND EFFECTIVENESS IN DISTRICT AGENCIES (INSPECTIONS); AND HEIGHTEN  
INTEGRITY AWARENESS AND FRAUD DETERRENCE, AND INVESTIGATE  
ABUSE, NEGLECT, AND FINANCIAL EXPLOITATION (MFCU). IN ORDER TO  
MORE CLOSELY CONFORM TO THE STRUCTURE OF THE OIG'S STRATEGIC  
BUSINESS PLAN FOR FY 2006 -2007, THE INDIVIDUAL DIVISION GOALS HAVE  
BEEN REPLACED BY A SINGLE AGENCY PROGRAM – ACCOUNTABILITY,  
CONTROL, AND COMPLIANCE – WHICH SUPPORTS ALL FIVE OF THE MAYOR'S  
STRATEGIC PRIORITIES, WITH THE EMPHASIS ON *MAKING GOVERNMENT  
WORK*. OUR PERFORMANCE FOR THAT PROGRAM WILL BE EVALUATED  
USING KEY RESULT MEASURES THAT ARE SIMILAR TO THE PERFORMANCE  
MEASURES AND TARGETS USED FOR FY 2004 AND FY 2005.

STATISTICAL OUTPUTS, HOWEVER, ARE NOT ALWAYS THE MOST ACCURATE  
REFLECTION OF THE IMPACT AND EFFECTIVENESS OF AN AGENCY SUCH AS  
OURS. FOR THAT REASON, I WILL NOW TAKE THE OPPORTUNITY TO PROVIDE  
YOU WITH A GENERAL OVERVIEW OF THE ACTIVITIES AND RESULTS OF EACH  
OF OUR DIVISIONS.

### **AUDIT DIVISION**

AUDITS PERFORMED BY THE OIG INCLUDE BOTH PERFORMANCE AND FINANCIAL AUDITS. PERFORMANCE AUDITS ARE SYSTEMATIC EVALUATIONS OF FUNCTIONS, PROGRAMS, AND ACTIVITIES. THE PURPOSES OF THESE AUDITS ARE TO IMPROVE ACCOUNTABILITY AND TO FACILITATE EFFECTIVE DECISION MAKING. FINANCIAL AUDITS ASSESS WHETHER THE FINANCIAL STATEMENTS OF AN ENTITY FAIRLY PRESENT THE FINANCIAL POSITION OF THAT ENTITY IN CONFORMITY WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES. IN ADDITION, THE AUDIT DIVISION OVERSEES CERTAIN AUDITS, PERFORMED BY CONTRACTORS, OF DISTRICT GOVERNMENT AGENCIES, PROGRAMS, AND OPERATIONS, SUCH AS THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR).

**PERFORMANCE MEASURES AND RESULTS** – IN ORDER TO MEASURE OUR PERFORMANCE AGAINST OUR GOALS, WE CURRENTLY REPORT ON THE NUMBER OF REPORTS ISSUED, THE ASSOCIATED POTENTIAL MONETARY BENEFITS FOR THE AUDIT REPORTS ISSUED, DISTRICT AGENCY COVERAGE, AND THE NUMBER OF RECOMMENDATIONS IMPLEMENTED.

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. WE BELIEVE STRONGLY THAT THIS IS A VALID MEASURE OF OUR WORTH BECAUSE IT IS AN OUTCOME

MEASURE. WE PLAN TO CONDUCT THIS COMPLIANCE REVIEW EVERY 3 YEARS. WE HAVE ALREADY BEGUN THE FY 2005 AUDIT AND PLAN TO HAVE IT COMPLETED BY MAY 2005.

ALL OF THESE MEASURES RELATE TO OUR MISSION OF PERFORMING AUDITS; PROMOTING ECONOMY, EFFICIENCY, AND EFFECTIVENESS; AND KEEPING THE MAYOR AND COUNCIL INFORMED OF POTENTIAL PROBLEMS FACING THE DISTRICT. WE ALSO INITIATE AUDITS BY SPECIAL REQUEST, OUR PLANNING PROCESS, OR TO MEET REQUIREMENTS SET BY LAW.

FOR FY 2004, WE ISSUED 42 REPORTS WITH POTENTIAL MONETARY BENEFITS EXCEEDING \$48 MILLION. THESE BENEFITS COMPARE TO AUDIT DIVISION COSTS OF APPROXIMATELY \$2.7 MILLION. ACCORDINGLY, THE RETURN ON INVESTMENT FOR AUDITS PERFORMED BY THE AUDIT STAFF HAS BEEN APPROXIMATELY \$18 FOR EACH DOLLAR INVESTED.

WE ARE ALSO PLEASED THAT MANY OF OUR AUDIT REPORTS AND MUCH OF OUR AUDIT WORK HAVE BEEN RECOGNIZED AND RE-PUBLISHED IN NEWSLETTERS OF NATIONAL PROFESSIONAL ORGANIZATIONS, SUCH AS THE ASSOCIATION OF INSPECTORS GENERAL AND THE NATIONAL ASSOCIATION OF LOCAL GOVERNMENT AUDITORS (N.A.L.G.A.). ADDITIONALLY, IN FY 2004, THE OIG AUDIT DIVISION WAS AWARDED THE NATIONAL ASSOCIATION OF LOCAL GOVERNMENT AUDITORS KNIGHTON AWARD FOR ITS REPORT "AUDIT OF MANAGEMENT OF THE 401(A) DEFINED CONTRIBUTION PENSION

PLAN.” THE KNIGHTON AWARD IS THE HIGHEST AWARD PRESENTED BY N.A.L.G.A., AND REPRESENTS THE BEST 2003 AUDIT REPORT BY A LOCAL GOVERNMENT AUDIT AGENCY IN THE UNITED STATES AND CANADA. REPORTS ARE JUDGED IN THE AREAS OF MESSAGE, QUALITY, AND ADHERENCE TO STANDARDS FOR GOVERNMENT PERFORMANCE AUDITS.

OUR AUDITS YIELDED MONETARY AND NONMONETARY BENEFITS. THE MAJORITY OF THE BENEFITS REPORTED IN FY 2004 AND THE FIRST QUARTER OF FY 2005 RESULTED FROM AUDITS INITIATED THROUGH THE PLANNING PROCESS. EXAMPLES OF MONETARY BENEFITS AND REPORTABLE CONDITIONS ARE AS FOLLOWS:

- WE REPORTED POTENTIAL MONETARY BENEFITS FOR OUR AUDIT OF THE DISTRICT OF COLUMBIA PUBLIC SCHOOLS’ PROCUREMENT OF SCHOOL SECURITY SERVICES, ISSUED AUGUST 6, 2004. OUR REPORT FOUND THAT DCPS SPENT APPROXIMATELY \$11.4 MILLION MORE THAN MAY HAVE BEEN NECESSARY FOR SCHOOL SECURITY SERVICES DURING THE OCTOBER 1, 2001, TO JULY 31, 2003, PERIOD BASED ON AN EXTENSION OF THE ORIGINAL CONTRACT FOR 2 ADDITIONAL YEARS WITHOUT SOLICITING AND RECEIVING THE BENEFITS OF PRICE COMPETITION. OUR REPORT ALSO DISCLOSED THAT DCPS AWARDED CONTRACTS GREATER THAN \$1 MILLION WITHOUT OBTAINING THE

ADVICE AND CONSENT OF THE D.C. COUNCIL, IN ACCORDANCE WITH THE D.C. CODE.

- OUR AUDIT OF THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT'S MANAGEMENT OF THE WALTER E. WASHINGTON ESTATES COMMUNITY CENTER PROJECT, (*OIG NO. 02-1-9DB*), ISSUED DECEMBER 10, 2003, REPORTED THAT THE GRANT AGREEMENTS AND PROJECT FILES FOR THE COMMUNITY CENTER AND SOIL STABILIZATION PROJECTS GRANT SUBRECIPIENTS DID NOT USE A TOTAL OF \$1,164,260 IN GRANTS FUNDS FOR THE INTENDED PURPOSES.
- IN AN AUDIT OF PHYSICAL SECURITY AT THE DISTRICT OF COLUMBIA PUBLIC SCHOOLS, ISSUED SEPTEMBER 10, 2004, WE OBSERVED AND DOCUMENTED CONDITIONS BASED ON VISITS TO 15 SELECTED PUBLIC SCHOOLS. WE FOUND THREE MAIN PROBLEM AREAS: INSUFFICIENT DOOR SECURITY; INOPERABLE SURVEILLANCE EQUIPMENT; AND AN INADEQUATE SECURITY GUARD FORCE. EACH OF THESE PROBLEMS, INDIVIDUALLY OR AS COMBINED CONDITIONS, CONTRIBUTED TO THE DEGRADATION OF PHYSICAL SECURITY AT THE VISITED SCHOOLS. ADDITIONALLY, WE FOUND THAT DCPS HAD NOT DEVELOPED ADEQUATE SECURITY PROCEDURES TO ENSURE THE SECURITY AND SAFETY OF STUDENTS, STAFF, AND FACILITIES. OUR AUDIT REPORT ALSO DISCUSSED THE NEED FOR DCPS TO DEVELOP AND IMPLEMENT A

STUDENT ACCOUNTABILITY SYSTEM AND THE POTENTIAL AVAILABILITY OF AN ALTERNATIVE SYSTEM.

**RISK ASSESSMENT** – THE OIG HAS PLAYED AND CONTINUES TO PLAY A ROLE IN ASSISTING DISTRICT MANAGEMENT ADDRESS AREAS OF RISK. AS SUCH, WE HAVE DEVELOPED FIVE STRATEGIC THEMES IN OUR AUDIT PLAN 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

IN AN EFFORT TO TIMELY ADDRESS AUDIT REQUESTS, EFFICIENTLY USE AUDIT RESOURCES, AND ELIMINATE DUPLICATION OF EFFORT, WE COORDINATE WITH THE OFFICE OF THE CHIEF FINANCIAL OFFICER’S OFFICE OF INTEGRITY AND OVERSIGHT, THE D.C. AUDITOR, THE GOVERNMENT ACCOUNTABILITY OFFICE (GAO), FEDERAL INSPECTORS GENERAL, AND OTHER ENTITIES AS NECESSARY. ADDITIONALLY, AT OUR ANNUAL AUDIT PLANNING CONFERENCES WE INVITE STAKEHOLDERS, SUCH AS YOU, OTHER MEMBERS OF THE CITY COUNCIL, AND OFFICIALS FROM THE EXECUTIVE OFFICE OF THE MAYOR, AND DISTRICT AGENCY HEADS TO SPEAK TO OUR

STAFF ABOUT PRIORITY ISSUES FACING THE DISTRICT WHERE WE MAY BE OF SERVICE.

BY LAW, THE OIG CONTRACTS FOR THE ANNUAL AUDIT OF THE CITY'S FINANCIAL STATEMENTS. THE COMPLETION OF THE ONGOING AUDIT OF THE FY 2004 COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) WILL CLOSE OUT THE LAST OPTION YEAR OF THE CURRENT CONTRACT. THE OIG HAS INITIATED ACTIONS NECESSARY TO ENSURE THAT A NEW CONTRACT, COVERING THE BASE YEAR PLUS OPTIONS FOR 4 ADDITIONAL YEARS (FYS 2006-2009), IS IN PLACE IN SUFFICIENT TIME TO CONDUCT THE AUDIT OF THE FY 2005 CAFR.

OUR WORK THAT RELATED TO THE CAFR IN FY 2004 REVEALED THAT THE DISTRICT GOVERNMENT CONTINUES TO FACE SIGNIFICANT CHALLENGES THAT COULD IMPACT THE CITY'S FISCAL HEALTH AND OPERATIONS. BY ORGANIZING OUR EXISTING RESOURCES AND SEEKING NEW ONES, WE PLAN TO FOCUS ON HIGH-RISK AREAS IN FY 2005 - SUCH AS MEDICAID, PROCUREMENT, AND PUBLIC SCHOOLS ISSUES - WITHOUT SACRIFICING NEEDED COVERAGE OF OTHER CRITICAL AREAS AND VULNERABLE POPULATIONS WITHIN THE DISTRICT.

AS CHAIR OF THE CAFR OVERSIGHT COMMITTEE, WE CONTINUE TO OVERSEE PROGRESS OF THE AUDIT AND TO ADDRESS ANY ISSUES THAT MAY ARISE OR PREVENT THE AUDIT FROM BEING COMPLETED ON TIME.

### **INVESTIGATIONS DIVISION**

AT THE START OF FY 2004, THE ID HAD 175 PENDING INVESTIGATIONS. A TOTAL OF 421 NEW INVESTIGATIVE COMPLAINTS WERE RECEIVED DURING FY 2004. OF THOSE 421 NEW MATTERS, 107 WERE OPENED AS FORMAL INVESTIGATIONS, 154 WERE REFERRED TO AGENCY HEADS FOR ACTION, AND THE REMAINDER WERE EVALUATED AND CLOSED. OVERALL DURING FY 2004, ID CLOSED 257 INVESTIGATIVE MATTERS.

GENERALLY, THE ID ADDRESSES COMPLAINTS WITH THE HIGHEST PRIORITY, SUCH AS THOSE THAT ALLEGE PROSECUTABLE CRIMINAL VIOLATIONS BY DISTRICT GOVERNMENT EMPLOYEES OR CONTRACTORS.

THE ID FREQUENTLY REFERS TO OTHER DEPARTMENTS AND AGENCIES ADMINISTRATIVE MATTERS THAT CAN BEST BE ADDRESSED BY THOSE AGENCIES. IN MOST CASES, WE MONITOR THE RESPONSES TO THESE REFERRALS TO ENSURE THAT THE MATTERS ARE HANDLED APPROPRIATELY. RECOGNIZING THAT THE PERFORMANCE MEASURES FOR THE ID ARE CLOSELY TIED TO FACTORS BEYOND ITS CONTROL, WE ELIMINATED FOUR OF

THE DIVISION'S PERFORMANCE MEASURES FOR FY 2005, AND ADDED TWO NEW PERFORMANCE MEASURES.

UNDER THE REVISED PERFORMANCE MEASURES FOR FY 2005, THE DIVISION IS WELL ON ITS WAY TO MEETING MOST MEASURES, AND HAS ALREADY MET ONE PERFORMANCE GOAL – NUMBER OF INDICTMENTS AND INFORMATIONS (10). WE ARE CONTINUING OUR FOCUS ON CORRUPTION IN DISTRICT AGENCIES. OUR GOAL IS THAT THE SUCCESS OF THESE INVESTIGATIONS WILL SERVE AS A STRONG DETERRENT TO EMPLOYEE MISCONDUCT, AND WILL SUBSTANTIALLY IMPROVE THE EFFECTIVENESS OF GOVERNMENT OPERATIONS IN THE DISTRICT OF COLUMBIA.

DURING FY 2004, THE ID PRIORITIZED INVESTIGATIONS THAT RESULT IN VIABLE PROSECUTIONS WHEN CRIMINAL VIOLATIONS ARE ALLEGED. WE PRESENTED 60 CASES FOR PROSECUTION TO FEDERAL AUTHORITIES, AND OVER A THIRD OF THESE, 23 CASES, WERE ACCEPTED FOR FURTHER INVESTIGATION OR PROSECUTION. WE ALSO PRESENTED NINE CASES TO THE D.C. OFFICE OF ATTORNEY GENERAL FOR PROSECUTION UNDER LAWS WITHIN THE JURISDICTION OF THAT OFFICE. OUR CASES RESULTED IN 14 INDICTMENTS AND 15 CONVICTIONS, AND RECOVERED MORE THAN \$4 MILLION IN RESTITUTION.

OUR SPECIAL AGENTS WERE INVOLVED IN SEVERAL JOINT INVESTIGATIONS WITH THE OFFICE OF THE UNITED STATES ATTORNEY, THE FEDERAL BUREAU

OF INVESTIGATION (FBI), AND OTHERS. THESE INVESTIGATIONS TARGETED CORRUPTION AMONG EMPLOYEES IN THE DEPARTMENT OF MOTOR VEHICLES (DMV), THE DEPARTMENT OF PUBLIC WORKS (DPW), AND THE OFFICE OF PROPERTY MANAGEMENT. THREE DPW “BOOTERS” WERE CONVICTED AND LOST THEIR JOBS FOR ACCEPTING BRIBES FOR NOT BOOTING VEHICLES OR REMOVING BOOTS FROM VEHICLES. TWO DPW PARKING ENFORCEMENT OFFICERS WERE CONVICTED FOR ACCEPTING BRIBES FOR VOIDING OR NOT ISSUING PARKING TICKETS.

WE ALSO OBTAINED CONVICTIONS OF DMV EMPLOYEES AND THEIR CIVILIAN CO-CONSPIRATORS WHO TOOK BRIBES FOR FIXING TICKETS, AND OTHERS WHO ACCEPTED BRIBES FOR SELLING FALSE DRIVER’S LICENSES. OUR INVESTIGATIVE SUPPORT OF THE DIRECTOR/DMV, IN HER EFFORTS TO REFORM HER AGENCY RESULTED IN MORE THAN 30 EMPLOYEES REMOVED FROM THEIR JOBS, AND 10 EMPLOYEES ALREADY CHARGED OR PENDING CRIMINAL CHARGES.

IN ADDITION, THE DIVISION REVIEWED ALLEGATIONS SURROUNDING SEVERAL HIGHLY PUBLICIZED ADMINISTRATIVE MATTERS, SUCH AS THE CONTROVERSY SURROUNDING THE PROPOSAL TO LEGALIZE VIDEO LOTTERY TERMINALS, AND ABUSE OF D.C. GOVERNMENT PURCHASE CARDS. OUR ADMINISTRATIVE INVESTIGATIONS SUPPORTED 40 ADVERSE ACTIONS TAKEN BY AGENCY HEADS AGAINST DISTRICT GOVERNMENT EMPLOYEES.

## **INSPECTIONS AND EVALUATIONS DIVISION**

THE INSPECTIONS AND EVALUATIONS DIVISION, OR I&E, IS OUR SMALLEST OPERATIONAL COMPONENT, AND PROVIDES HIGHLY DETAILED EVALUATIONS OF THE MANAGEMENT AND KEY OPERATIONS OF DISTRICT AGENCIES. I&E FOCUSES PARTICULARLY ON THOSE AGENCIES WITH CRITICAL SERVICE DELIVERY RESPONSIBILITIES, OR THOSE IN WHICH SIGNIFICANT PROBLEMS COME TO THE ATTENTION OF THE MAYOR, THE COUNCIL, AND OTHER DISTRICT STAKEHOLDERS.

**PERFORMANCE MEASURES** – I&E CONDUCTED FIVE INSPECTIONS, AND PUBLISHED FIVE OF THE SIX INSPECTION REPORTS TARGETED FOR FY 2004. THREE RE-INSPECTIONS WERE CONDUCTED; ONE RE-INSPECTION REPORT HAS BEEN ISSUED IN THE FIRST QUARTER OF FY 05, AND TWO RE-INSPECTION REPORTS ARE IN PROGRESS. WHILE I&E PRODUCTIVITY WAS GOOD, ITS RESOURCES WERE SIGNIFICANTLY LIMITED BY THE GOVERNMENT-WIDE FREEZE ON HIRING WHICH KEPT A NUMBER OF POSITIONS VACANT FOR MORE THAN A YEAR. DESPITE THIS STAFFING PROBLEM, I&E ALSO PRODUCED 11 MANAGEMENT ALERT REPORTS DURING THE COURSE OF INSPECTIONS WHEN SIGNIFICANT ISSUES WERE UNCOVERED THAT COULD ADVERSELY AFFECT THE OPERATIONS OR PERSONNEL OF AN AGENCY. THESE REPORTS DEALT WITH CONCERNS SUCH AS FIRE SAFETY, PERSONAL AND FACILITY SECURITY, DEFICIENT COMMUNICATION EQUIPMENT, POOR

SANITATION PRACTICES, AND OTHER SITUATIONS REQUIRING IMMEDIATE MANAGEMENT ATTENTION.

SINCE THE LAST REPORT ON OUR PERFORMANCE, I&E COMPLETED INSPECTIONS OR RE-INSPECTIONS IN THE DEPARTMENT OF HEALTH, THE FORMER YOUTH SERVICES ADMINISTRATION (YSA) IN THE DEPARTMENT OF HUMAN SERVICES, AND THE DEPARTMENT OF PUBLIC WORKS. THE REPORTS WRITTEN DURING THIS FISCAL YEAR AS A RESULT OF THESE INSPECTIONS CONTAIN 79 FINDINGS AND MORE THAN 150 RECOMMENDATIONS, MOST OF WHICH WERE ACCEPTED AND AGREED TO BY THE INSPECTED AGENCIES.

THE BULK OF I&E'S ATTENTION IN FY 2004 WAS FOCUSED ON COMPREHENSIVE INSPECTIONS OF YSA, WHICH FUNCTIONS AS THE DISTRICT'S PRIMARY JUVENILE JUSTICE AGENCY. WE CONCENTRATED FIRST ON YSA'S MANAGEMENT AND THE OPERATIONS OF THE OAK HILL YOUTH CENTER IN LAUREL, MARYLAND, WHICH HOUSES APPROXIMATELY 250 YOUTHS CHARGED WITH DELINQUENCY. WE FOUND MANY SERIOUS PROBLEMS, INCLUDING LONG-STANDING MANAGEMENT DEFICIENCIES AND LAX INTERNAL CONTROLS; ILLEGAL SUBSTANCES BEING SMUGGLED INTO THE FACILITY AND CONSUMED BY YOUTHS ALREADY CHARGED WITH CRIMINAL OFFENSES; NO STRUCTURED SUBSTANCE ABUSE TREATMENT PROGRAM; POORLY PERFORMING SECURITY GUARDS, CREATING LAX SECURITY; DEFICIENT SECURITY EQUIPMENT; INADEQUATE BACKGROUND

CHECKS ON EMPLOYEES WORKING WITH YOUTHS; FIRE SAFETY HAZARDS THROUGHOUT THE FACILITY; INADEQUATE STAFF TO HANDLE ESCAPES; AND NUMEROUS FISCAL AND ASSET MANAGEMENT DEFICIENCIES.

OUR REPORT, ISSUED IN MARCH 2004, CONTAINED 45 FINDINGS AND 95 RECOMMENDATIONS FOR IMPROVEMENTS. OUR FIRST RECOMMENDATION WAS THAT CONSIDERATION BE GIVEN TO CONVERTING YSA TO A CABINET-LEVEL AGENCY UNDER THE MAYOR. THE NUMBER AND SERIOUSNESS OF THE FINDINGS IN THE REPORT PRECIPITATED A HEARING BY THE SENATE SUBCOMMITTEE ON THE DISTRICT OF COLUMBIA LAST YEAR. I AM PLEASED THAT WE WERE ALSO ASKED TO TESTIFY AS RECENTLY AS LAST FRIDAY CONCERNING THIS REPORT BEFORE COUNCILMEMBER FENTY'S COMMITTEE HEARING ON YSA.

OUR INSPECTION OF YSA'S DIVISION OF COURT AND COMMUNITY PROGRAMS ALSO HIGHLIGHTED SERIOUS PROBLEMS, PARTICULARLY IN GROUP AND SHELTER HOME OPERATIONS. THESE HOMES WERE OPERATING WITHOUT LICENSES AND WITH EXPIRED CONTRACTS; MANY BUILDINGS IN VARIOUS AREAS OF THE CITY HAD SIGNIFICANT HEALTH AND SAFETY DEFICIENCIES, INCLUDING FIRE HAZARDS THAT WENT UNABATED FOR LONG PERIODS. SOME HOMES HAD EMPLOYEES WHO WERE CONVICTED CRIMINALS HIRED WITHOUT BACKGROUND CHECKS.

WE ALSO CONDUCTED A SIGNIFICANT INSPECTION EFFORT ON  
ABSCONDENCES BY YOUTHS IN YSA CUSTODY, AND FOUND THAT SOME  
YOUTHS HAD BEEN MISSING FOR MORE THAN 2 YEARS. ABSCONDENCES  
WERE FREQUENT AND WERE FACILITATED BY INEFFECTIVE MONITORING BY  
YSA AND GROUP AND SHELTER HOME EMPLOYEES. IN TWO INSTANCES,  
ABSCONDERS WERE RESPONSIBLE FOR FATAL SHOOTINGS. EFFORTS TO  
LOCATE ABSCONDED YOUTHS, MANY GUILTY OF OFFENSES RANGING FROM  
CAR THEFT TO MURDER, WERE MINIMAL.

**IMPLEMENTATION OF RECOMMENDATIONS** – WE ARE MAKING PROGRESS  
IN OUR EFFORTS TO RE-INSPECT AGENCIES WE PREVIOUSLY EVALUATED, SO  
THAT WE CAN DETERMINE THEIR COMPLIANCE WITH RECOMMENDATIONS  
WE MADE THAT THEY AGREED TO COMPLY WITH. IN FY 2004 WE COMPLETED  
RE-INSPECTIONS OF TWO LARGE COMPONENTS OF THE DEPARTMENT OF  
PUBLIC WORKS: THE SOLID WASTE MANAGEMENT ADMINISTRATION  
(SWMA), AND THE PARKING SERVICES ADMINISTRATION (PSA). WE HAVE  
DETERMINED THAT BOTH AGENCIES HAVE MADE SUBSTANTIAL PROGRESS IN  
CORRECTING THE DEFICIENCIES FOUND DURING THE INITIAL INSPECTIONS.  
SWMA, FOR EXAMPLE, HAS INCREASED THE FREQUENCY AND EFFICIENCY OF  
STREET CLEANING; IMPROVED THE WORK ENVIRONMENT; AND UPGRADED  
UNIFORMS, EQUIPMENT, AND COMMUNICATION DEVICES. PSA IS IN  
COMPLIANCE OR PARTIAL COMPLIANCE WITH MORE THAN 80% OF OUR  
RECOMMENDATIONS, WITH IMPROVEMENTS THAT INCLUDE UPGRADED

COMPUTER OPERATIONS AND EQUIPMENT, BETTER COMMUNICATION EQUIPMENT, AND INCREASED TRAINING FOR BOOTER TECHNICIANS.

**STATUS OF CURRENT ACTIVITIES** – CURRENTLY, I&E IS INSPECTING THE DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS, CONDUCTING A SPECIAL REVIEW OF THE RESPONSE BY VARIOUS AGENCIES TO A D.C. JAIL INMATE’S DEATH, AND IS PREPARING FOR AN INSPECTION OF THE OFFICE OF CONTRACTING AND PROCUREMENT THAT BEGINS IN MARCH. WE ALSO HAVE PLANNED A RE-INSPECTION OF THE DEPARTMENT OF PARKS AND RECREATION, WHICH WAS INITIALLY INSPECTED IN 2001, AND A RE-INSPECTION OF THE DEPARTMENT OF CORRECTIONS, WHICH WAS FIRST INSPECTED IN 2002.

**MEDICAID FRAUD CONTROL UNIT**

FY 2004 MARKED THE FIFTH YEAR OF EXISTENCE FOR THE MEDICAID FRAUD CONTROL UNIT (MFCU or UNIT), THE NEWEST OF THE FOUR DIVISIONS WITHIN THE OIG. ON MARCH 1, 2000, THE UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES CERTIFIED THE UNIT, WHICH IS SUPPORTED BY A FEDERAL GRANT.

**PERFORMANCE MEASURES** – THE UNIT’S MISSION IS TO INVESTIGATE AND PROSECUTE CASES OF FRAUD AND ABUSE WITHIN THE MEDICAID PROGRAM FOR THE DISTRICT OF COLUMBIA. THE MFCU CONCENTRATES MUCH OF ITS

RESOURCES ON FINANCIAL FRAUD AGAINST THE MEDICAID PROGRAM. A SECOND IMPORTANT AREA IS THE ABUSE OR NEGLECT OF PERSONS IN MEDICAID-FUNDED FACILITIES, SUCH AS NURSING HOMES, GROUP HOMES AND BOARD AND CARE FACILITIES.

**FRAUD CASES INITIATED** – CURRENTLY, WE HAVE APPROXIMATELY 60 FRAUD MATTERS UNDER INVESTIGATION. 23 FRAUD INVESTIGATIONS HAVE BEEN INITIATED SINCE THE BEGINNING OF FY 2005. THESE INVESTIGATIONS INVOLVE ALLEGATIONS OF FRAUD RELATING TO A BROAD VARIETY OF HEALTH CARE PROVIDERS, FROM INSTITUTIONS TO SOLO PRACTITIONERS. MEDICAL SPECIALISTS INVOLVED IN OUR CASES INCLUDE PHYSICIANS, DENTISTS, PHARMACIES, DURABLE MEDICAL EQUIPMENT SUPPLIERS, MENTAL HEALTH CLINICS, NURSING HOMES, AND TRANSPORTATION PROVIDERS. INVESTIGATIONS CAN LEAD TO THE FILING OF CRIMINAL, CIVIL, AND/OR ADMINISTRATIVE CHARGES.

**RECOVERED FUNDS** –AN IMPORTANT ASPECT OF THE MFCU’S ATTENTION TO HEALTH CARE FRAUD ACTIVITIES IS ITS PARTICIPATION IN NATIONAL GLOBAL SETTLEMENTS. HEALTH CARE PROVIDERS MAY ENGAGE IN SIMILAR FRAUDULENT ACTS AND SCHEMES IN MULTIPLE JURISDICTIONS. JOINING OTHER MEDICAID FRAUD CONTROL UNITS THROUGHOUT THE UNITED STATES PERMITS MORE EFFICIENT AND EFFECTIVE INVESTIGATIONS INTO CASES OF THIS NATURE. IN FY 2004, THE MFCU RECOVERED APPROXIMATELY

\$1.3 MILLION IN SETTLEMENTS OF GLOBAL CASES. IN FY 2005, MORE THAN \$ 750,000 HAS BEEN RETURNED TO DATE. PRIOR TO THE FORMATION OF THIS UNIT, THE DISTRICT WAS RARELY A PARTY TO THESE GLOBAL CASE SETTLEMENTS.

**ABUSE OF VULNERABLE PERSONS AND UNUSUAL INCIDENTS** – A VITAL ASPECT OF THE UNIT IS THE WORK IT DOES IN THE AREA OF PATIENT ABUSE AND NEGLECT. THERE IS A GROWING AWARENESS IN THE COUNTRY THAT OUR ELDERLY AND OTHER VULNERABLE ADULTS ARE PARTICULARLY SUSCEPTIBLE TO ABUSE AND NEGLECT. THE ELDERLY COMPRISE ONE OF THE FASTEST GROWING POPULATIONS IN THE UNITED STATES AND, NATIONWIDE, ONE-FIFTH OF ALL FEDERAL MEDICAID FUNDS ARE USED TO PURCHASE SERVICES FOR INDIVIDUALS LIVING IN CARE FACILITIES.

ONE OF THE UNIT'S RESPONSIBILITIES IS TO INVESTIGATE AND PROSECUTE INSTANCES OF ABUSE, NEGLECT, AND FINANCIAL EXPLOITATION OF INDIVIDUALS RESIDING IN MEDICAID-FUNDED CARE FACILITIES. EXPERTS UNIVERSALLY BELIEVE THAT INCIDENTS OF ABUSE AND NEGLECT AGAINST SUCH INDIVIDUALS ARE VASTLY UNDER REPORTED. ACCORDINGLY, IT IS CRUCIAL THAT OUR UNIT NOT ONLY ALLOCATE RESOURCES TO INTERVENE, AND WHERE APPROPRIATE, PROSECUTE NEGLECT AND ABUSE CASES, BUT ALSO TO DEVELOP STRATEGIES SO THAT INCIDENTS OF ABUSE AND NEGLECT ARE REPORTED AND EVALUATED.

THE UNIT'S INVESTIGATIONS OF ABUSE AND NEGLECT BEGIN WITH ITS REVIEW OF UNUSUAL INCIDENT REPORTS THAT ARE PROVIDED BY HEALTH CARE PROVIDERS, INSTITUTIONS SUCH AS NURSING HOMES AND GROUP HOMES, ANONYMOUS TIPS RECEIVED AT THE OIG HOTLINE AND REPORTED DIRECTLY TO THE UNIT, AND REPORTS FROM FAMILY MEMBERS AND HEALTHCARE WORKERS.

SINCE ITS CERTIFICATION IN 2000, THE UNIT HAS RECEIVED A GROWING NUMBER OF UNUSUAL INCIDENT REPORTS EACH YEAR. HOWEVER, IN FY 2004, THE MFCU SAW AN EXPLOSION IN THE NUMBER OF INCIDENTS REPORTED. IN FY 2003, THE MFCU RECEIVED 973 INCIDENT REPORTS. IN FY 2004, THE MFCU RECEIVED 2,242 REPORTS - AN INCREASE OF OVER 150% FROM THE PRIOR YEAR. SINCE THE BEGINNING OF FY 2005, THE MFCU HAS RECEIVED MORE THAN 900 REPORTS OF ABUSE OR NEGLECT.

ADDITIONALLY, IN FY 2004, THE UNIT INITIATED 84 ABUSE INVESTIGATIONS - AN INCREASE OF OVER 250% FROM FY 2003. THE MFCU CURRENTLY HAS 6 INVESTIGATIONS INVOLVING ALLEGATIONS OF FINANCIAL EXPLOITATION.

THE UNIT CONTINUES ITS EFFORTS TO COORDINATE WITH THE LOCAL HEALTH CARE COMMUNITY AND OUR PARTNERS IN LAW ENFORCEMENT. THE MFCU DIRECTOR HAS MADE OUTREACH A PRIORITY BECAUSE OF KNOWN IMPEDIMENTS TO REPORTING ABUSE: RELUCTANCE TO ACKNOWLEDGE THAT SUCH ABUSE OCCURS; LACK OF KNOWLEDGE OF

PROTECTIVE LAWS AND REPORTING REQUIREMENTS; AND  
MISUNDERSTANDING OF WHAT CONSTITUTES ABUSE AND NEGLECT.

IN FY 2004, THE UNIT OBTAINED ITS FIRST CONVICTION OF A SEXUAL  
ASSAULT MATTER. IN *UNITED STATES V. HERRING*, THE DEFENDANT WAS A  
CAREGIVER IN A GROUP HOME FOR MENTALLY RETARDED CITIZENS WHEN  
HE SEXUALLY ABUSED ONE OF THE RESIDENTS IN HIS CARE. THE  
DEFENDANT PLEADED GUILTY TO FIRST DEGREE SEXUAL ASSAULT OF A  
WARD AND WAS DETAINED WITHOUT BOND. HE WAS SENTENCED TO TWO  
YEARS IN PRISON FOLLOWED BY THREE YEARS OF SUPERVISED RELEASE. HE  
MUST REGISTER AS A SEX OFFENDER FOR 10 YEARS AND IS PROHIBITED  
FROM WORKING AS A CAREGIVER FOR CHILDREN OR PERSONS WHO ARE  
MENTALLY ILL OR MENTALLY RETARDED.

ANOTHER EXAMPLE OF THE UNIT'S WORK ON ABUSE CASES INVOLVING  
MEDICAID PATIENTS RESIDING IN GROUP HOMES FOR THE MENTALLY  
RETARDED IS SHOWN IN *UNITED STATES V. BEMAH*. THE DEFENDANT WAS  
ACCUSED OF ASSAULTING THE GROUP HOME RESIDENT HE WAS ASSIGNED  
TO CARE FOR ON A ONE-ON-ONE BASIS. AT TRIAL, HE WAS FOUND GUILTY  
AND WAS SENTENCED TO SIX MONTHS OF IMPRISONMENT FOLLOWED BY A 2-  
YEAR PERIOD OF PROBATION DURING WHICH HE WILL BE REQUIRED TO  
COMPLETE 200 HOURS OF COMMUNITY SERVICE.

PROSECUTION OF THESE CASES, AS WELL AS THE SUBSEQUENT PRESS AND  
MEDIA ATTENTION, AND PRESENTATIONS INDUSTRY-WIDE WITH

CAREGIVERS, FAMILY MEMBERS, PROVIDERS AND OTHER PROFESSIONALS PROVIDES A DETERRENT EFFECT. WE BELIEVE PUBLICIZING THESE CASES WILL SEND A STRONG MESSAGE TO THE PROFESSIONALS THROUGHOUT THIS INDUSTRY THAT DUE CARE MUST BE TAKEN TO PROTECT THE SAFETY AND WELFARE OF THEIR VULNERABLE CHARGES. IN ADDITION, ALL PERSONS CONVICTED OF CRIMES AGAINST THE MEDICAID PROGRAM CAN BE EXCLUDED FROM WORKING IN PROGRAMS, INSTITUTIONS AND ENTITIES NATIONWIDE THAT RECEIVE FEDERAL FUNDS OF ANY KIND, INCLUDING MEDICARE AND MEDICAID.

### **CONCLUSION**

I AM PROUD OF THE FY 2004 AND FY 2005 ACCOMPLISHMENTS OF OUR HIGHLY MOTIVATED AND EXPERIENCED STAFF, WHO CONTINUE TO REFINED THEIR EFFORTS TO BECOME EVEN MORE EFFECTIVE AND COLLABORATIVE WITH ALL BRANCHES OF THE DISTRICT GOVERNMENT. WITH THE CONTROL BOARD GONE AND THE CITY'S FINANCES ON THE REBOUND, OUR OFFICE MUST NOW USE OUR LIMITED RESOURCES TO FOCUS PRECISELY ON THE GOVERNMENT'S MOST CRITICAL NEEDS AND RISK AREAS. FOR THAT REASON, OUR PROGRAM PURPOSE, AS SET FORTH IN OUR BUSINESS PLAN FOR FY 2006, WILL REQUIRE ALL FOUR OF OUR DIVISIONS, WORKING TOGETHER, "TO FOCUS EFFORTS ON MITIGATING THOSE RISKS THAT POSE THE MOST SERIOUS CHALLENGES TO DISTRICT AGENCIES AND OTHER STAKEHOLDERS SO THAT DISTRICT GOVERNMENT ENTITIES CAN BETTER MAINTAIN FISCAL

INTEGRITY AND OPERATIONAL REDINESS AND REDUCE FRAUD, WASTE, AND MISMANAGEMENT.”

TO ACHIEVE THAT GOAL, WE WILL CONTINUE OUR EFFORTS TO PROMOTE THE FLOW OF INFORMATION BETWEEN THE OIG, DISTRICT AGENCIES, AND THE COUNCIL. IN ADDITION TO PROVIDING THE COUNCIL WITH FINAL REPORTS, WE NOW ADVISE YOU BY LETTER EACH TIME WE BEGIN AN AUDIT OR INSPECTION FROM OUR ANNUAL PLAN, AND WE ARE ALWAYS AVAILABLE TO BRIEF COUNCILMEMBERS ON OUR PROGRESS AND TO ACCEPT INPUT CONCERNING YOUR AREAS OF INTEREST.

THIS CONCLUDES MY TESTIMONY, AND I WILL BE HAPPY TO ANSWER QUESTIONS CONCERNING THE TESTIMONY.