



**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL**

**Report on the Activities of the
Office of the Inspector General
Fiscal Year 2004**

**AUSTIN A. ANDERSEN
INTERIM INSPECTOR GENERAL**

**MESSAGE FROM AUSTIN A. ANDERSEN
INTERIM INSPECTOR GENERAL**

MESSAGE FROM AUSTIN A. ANDERSEN INTERIM INSPECTOR GENERAL

It has been a privilege to serve as the Interim Inspector General for the Office of the Inspector General (OIG) over the last 9 months of fiscal year (FY) 2004 and continuing into FY 2005. My tenure follows the departure last December of Charles C. Maddox, Esq., who served as the Inspector General for 4 years. Among his many contributions to the effectiveness of the OIG was the creation of two new divisions, the Inspections and Evaluations Division and the Medicaid Fraud Control Unit. These units were designed to complement the existing audit and investigative functions in addressing fraud, mismanagement, and noncompliance in order to achieve long-term, systemic improvement to District government operations.

As this annual report shows, all four divisions of the OIG – Audit, Investigations, Inspections and Evaluations, and the Medicaid Fraud Control Unit – continue to meet or exceed most of their individual performance goals. Of more strategic importance is the fact that the divisions, with their diverse skill sets, have worked collectively to address risks and challenges to government operations that could impede the remarkable fiscal recovery made by this City following the sunset of the Control Board in 2001.

Accordingly, we have vigorously investigated and sought the prosecution of District employees who have committed criminal violations in order to establish a deterrent to future misconduct by other employees. We have identified to agency heads instances of noncompliance with local and federal regulations in order to protect the flow of grant funds and to ensure that procurements and other spending are done effectively and efficiently. Nearly every audit and inspection report published recommends policies and procedures designed to avoid material internal control breakdowns to ensure accountability.

While many of our reports are critical of the actions, programs, and operations of District agencies, we are encouraged by the positive responses that we invariably receive from agency heads and other officials eager to implement recommendations and to seek further improvement on their own. Looking forward, we are channeling limited resources not dedicated to nondiscretionary or statutory responsibilities to risk assessment in areas where the impact on the finances and lives of District residents is most profound. I am pleased to present this Annual Report, which captures the details and impact of our operations for FY 2004 in a comprehensive manner.

FY 2004 HIGHLIGHTS

Audit Division. For FY 2004, we issued 42 audit reports with potential monetary benefits exceeding \$48 million. These benefits compare to the Audit Division's in-house costs of approximately \$2.7 million. Accordingly, the return on investment for audits performed by OIG audit staff has been approximately \$18 for each dollar invested.

MESSAGE FROM AUSTIN A. ANDERSEN INTERIM INSPECTOR GENERAL

In addition, several audit reports significantly affected changes to District operations, such as the Audit of the Office of Contracting and Procurement's Personal Property Division Operations and Auction Process, 03-2-23MA, issued September 1, 2004, and the Audit of Physical Security at the District of Columbia Public Schools, 03-2-14GA(b), issued September 10, 2004. The former report identified weak internal controls that resulted in the auction of valuable District property at "bargain basement" prices and losses of about \$500,000 a year as a result of the inefficient operations. The latter report showed three main problem areas at the District of Columbia Public Schools: (1) insufficient door security; (2) inoperable surveillance equipment; and (3) 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. We are pleased that District management is taking action to resolve these issues.

Finally, the National Association of Local Government Auditors (N.A.L.G.A.) awarded the Knighton Award to the OIG in May 2004 for our 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 recognizes the best 2003 audit report by a local government audit agency in the United States and Canada. This audit resulted in a \$27.5 million monetary recovery for the District, of which \$22 million was immediately returned to the District's General Fund and another \$5.5 million to follow.

Inspections and Evaluations Division. During FY 2004, the Inspections and Evaluations Division (I&E) conducted comprehensive inspections or re-inspections of 5 administrations within 3 District agencies, and issued 6 reports that included 79 findings and 155 recommendations. Most notably, the Division's lengthy inspection of the city's Youth Services Administration found significant management deficiencies; a youth detention facility plagued by lax security, drug abuse, and physical deterioration; and group and shelter homes that were unlicensed and inadequately maintained, from which serious youth offenders frequently escape into an unsuspecting community. The inspection resulted in a Congressional hearing, widespread media coverage, and a significant push for reforms by city leaders, including the introduction of legislation to make YSA a separate agency in the Mayor's cabinet.

Investigations Division. Our Investigations Division continued several joint criminal investigations with the Office of the United States Attorney and the Federal Bureau of Investigation (FBI) involving District employees and operations. Our Special Agents were involved in cases investigating corruption among employees in the Department of Motor Vehicles (DMV), the Department of Public Works (DPW), and the Office of Property Management, as well as the case of former officials in the Washington Teachers Union. 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 the D.C. City Council hearing concerning the abuse of D.C. government purchase cards.

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INTERIM INSPECTOR GENERAL

During this fiscal year we continued our focus on conducting investigations that result in viable prosecutions when criminal violations are disclosed. We presented 60 cases for prosecution to federal authorities, and over a third of these, 23 cases, were accepted for further investigation or prosecution. Our cases resulted in 14 indictments and 15 convictions, and recovered more than \$4.9 million in restitution. We targeted corrupt District employees in the DPW and the DMV. 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 obtained convictions of employees and their civilian co-conspirators who took bribes for fixing tickets, and others who accepted bribes for selling false driver’s licenses. Our efforts in supporting the Director, DMV, in her efforts to reform her agency have resulted in more than 30 employees removed from their jobs, and 10 employees already charged or pending criminal charges.

Medicaid Fraud Control Unit (MFCU). The MFCU works closely with the United States Attorney’s Office, the FBI, the United States Office of Health and Human Services Office of the Inspector General, and other law enforcement entities to cooperatively investigate and prosecute providers of Medicaid services who engage in fraudulent billing. In its fifth year of existence, the Medicaid Fraud Control Unit has under investigation 80 matters involving allegations of fraud and continues to pursue matters involving criminal abuse, neglect, and financial exploitation of persons who reside in long-term care facilities, hospitals, and group homes. In addition to several criminal convictions for both fraud and abuse violations, the Unit has recovered more than \$1.3 million in Medicaid funding that has been returned to the District and U.S. treasuries. Increased outreach efforts aimed at educating the general public as well as professional groups involved in service provision to vulnerable populations has resulted in the receipt of 2,242 unusual incident reports, more than twice the number received in the previous year.

A LOOK AHEAD TO FY 2005

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.

MESSAGE FROM AUSTIN A. ANDERSEN
INTERIM INSPECTOR GENERAL

Our work 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.

I am extremely proud of the OIG staff for the skills, ingenuity, and intensity that led to record levels of accomplishments during the past year. Perhaps their greatest reward has been the exceptional cooperation and appreciation received from the agencies where our investigations, audits, and inspections have taken place. Acceptance and implementation of our recommendations by District officials - as well as the nearly overwhelming amount of requests for our services - are clear signs that our contributions to the improvement of government are vital and effective.



Austin A. Andersen
Interim Inspector General

December 1, 2004

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RISK ASSESSMENT



RISK ASSESSMENT

The Inspector General's Office is one of several organizations among local oversight bodies and federal agencies that assess, monitor, evaluate, and act on risks facing the District. Our past risk assessments focused on several themes, including the risks associated with the District's structural limitation for expanding its revenue base, the challenge of balancing controlled spending with growing social service and infrastructure costs, the need to consistently deliver top-notch citizen services to maintain the quality of life of District residents, the ability to sustain efficient and effective support services for District governmental operations, and the requirement to comply with local and federal laws and regulations. We have focused our audit, inspection, and investigative resources on these thematic topics in FY 2004 and will continue to do so in the foreseeable future to identify actions necessary to minimize known risks.

Our work in FY 2004 showed that the District faced risks that pose a continuing challenge to District executives, managers, and elected officials. Within the context of the thematic approaches enumerated above, we have identified issues that we believe could impact the District financially and operationally. These issues have been the focus of recent oversight activities and will continue to be addressed in our FY 2005 efforts. We have divided these issues into the following four areas discussed below:

- Medicaid Program
- Public Schools
- Vulnerable Populations
- Procurement and Contracting

The Medicaid Program

The FY 2003 Comprehensive Annual Financial Report (CAFR) showed that the District continued to incur substantial Medicaid expenses, particularly for mental health care services where approximately \$100 million in mental health care receivables were written off as non-recoverable expenses. While management may have mitigated some of the risks associated with reimbursable Medicaid costs through actions aimed at avoiding future losses, several elements of the District's Medicaid program have the potential for high risk outcomes:

- *Doubts as to whether past Medicaid billing and documentation problems have been sufficiently remedied and whether adequate processes exist to avoid future absorption of Medicaid-covered costs.* In this regard, our Audit Division will perform a comprehensive audit of the District's Medicaid program, using a phased approach to address such issues as Medicaid waivers, grants, billing, and reimbursement processes as well as an audit to evaluate the adequacy of internal controls to prevent fraud, waste, and abuse by Medicaid recipients and providers.

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- *Concerns that the potential for Medicaid fraud remains high.* To address these concerns, our Medicaid Fraud Control Unit conducted more than 80 investigations involving allegations of fraud against the Medicaid Program. Forty-four of these were initiated in 2004.

Public Schools

During FY 2004, our Audit Division performed a series of internal audits that primarily focused on school security issues. With about one-fifth of the District's budget (approximately \$1 billion) devoted to public education, there are potential risks for waste and misuse of these education dollars. For example, our FY 2004 audit report on the school security guard contract demonstrated the effect of poor procurement planning and a non-competitive contract award – an avoidable expenditure of \$9 million. Serious security problems at some schools placed children at risk due to inadequate security measures including multiple unsecured entrances to school facilities, non-functioning surveillance apparatus, and an untrained and less-than-effective guard force. These security shortcomings were further exacerbated by ineffective security monitoring and inconsistent reporting of serious school incidents. While management has acknowledged these deficiencies and responded aggressively to the audit recommendations, public education remains a high-risk concern for the District.

Vulnerable Populations

The District government serves approximately 600,000 residents, including some of the more vulnerable segments of the population, such as the elderly, children, those who are mentally and physically disabled, and those affected by social ills such as poverty, homelessness, unemployment, and crime. These quality of life issues not only impact vulnerable individuals, they also represent inherent financial risks and operational challenges for the District.

In FY 2004, our auditors performed an extensive review of an elder care nutrition program to provide needy senior citizens with free meals. This review found extensive weaknesses and abusive practices that included charging senior citizens for free meals and other free services. Because children are one of the most vulnerable groups in the District, audits begun in FY 2004 and continuing into FY 2005 focused on child welfare issues, particularly the welfare and safety of children placed in foster homes and children cared for by third-party providers. Also during FY 2004, our Inspections Division conducted two comprehensive evaluations of the Youth Services Administration (YSA), an office within the Department of Human Services. YSA is tasked with helping delinquent youths entrusted to its care become lawful, competent, and productive citizens. Our inspection reports, however, documented widespread management and financial deficiencies, and major health, safety, and security problems at YSA's Oak Hill Youth Detention Center. Similar problems were identified at YSA-operated group and shelter homes that house and care for juveniles. As a result of these inspections, legislation is pending to elevate YSA to a cabinet-level agency in order to

RISK ASSESSMENT

improve operational conditions and service delivery, and to strengthen internal controls and management oversight.

There is a growing awareness in this country, as well as in the District, that our most defenseless citizens, elderly and other vulnerable adults, are particularly susceptible to abuse and neglect. One of the MFCU's responsibilities is to investigate and prosecute instances of abuse, neglect, and financial exploitation of individuals residing in Medicaid-funded care facilities. Despite a lack of data, experts universally believe that incidents of abuse and neglect against such individuals are vastly underreported. Accordingly, it is crucial that the MFCU not only allocate resources to intervene and, where appropriate, prosecute neglect and abuse cases, but also develop strategies so that incidents of abuse and neglect are reported and thereby investigated.

The MFCU's investigations of abuse and neglect begin with its review of unusual incident reports that are provided by health care providers such as nursing homes and group homes, as well as anonymous tips left on the OIG Hotline. In the past fiscal year, the MFCU has seen an explosion in the number of unusual incident reports it has received. In fiscal year 2003, the MFCU received 973 unusual incident reports. In FY 2004, the MFCU received 2242 reports - an increase of over 150% from the prior year. Additionally in FY 2004, this Unit initiated 84 abuse cases - an increase of over 250% from FY 2003, when the MFCU initiated 23 abuse cases. The MFCU also initiated 6 cases involving allegations of financial exploitation.

Procurement and Contracting

Procurement and contracting have persistently posed a substantial risk of financial loss to the District. By statute, the OIG is charged to review District procurements annually as part of its established workload. In keeping with this requirement and acknowledging the risk of monetary losses associated with poor procurement practices, the OIG continues to audit and inspect District procurement practices and contracts each year. With over \$1 billion in annual purchases, FY 2004 audits addressed such issues as the multi-year contract for school security services, Purchase Card acquisitions by the Department of Fire and Emergency Services, the contract for DNA genetic testing, and the obligation and deobligation of funds placed on Department of Human Services contracts. We will continue our efforts to mitigate the risks associated with the District's procurement and contracting problems by continuing our oversight efforts in FY 2005 via audits focusing on sole-source contracts, contract administration, expert and consulting contracts, and advance payments to contractors. Our Inspection Division also plans to evaluate the Office of Contracting and Procurement Commodity-Buying Groups in several program areas.



GENERAL ACTIVITIES



GENERAL ACTIVITIES

MISSION

The D.C. Code provides the mission for the District of Columbia Office of the Inspector General (OIG). D.C. Code § 2-302.08(a-1) (2001) states that the OIG shall independently:

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

The OIG is required by statute to refer evidence of criminal violations to the U.S. Department of Justice in cases where the Inspector General has reasonable grounds to believe that there has been a violation of federal or District law. For cases where the evidence does not rise to the level of criminality, the OIG recommends administrative and/or disciplinary action to the Mayor or an agency head, as appropriate.

STATUTORY RESPONSIBILITIES

The OIG statute provides the OIG with the authority to fulfill its mission. For example, the statute grants the OIG statutory access to the records, accounts, and property of other District agencies in the Executive Branch. Should a District government employee or contractor refuse to provide the Inspector General with requested documents or testimony, the Inspector General may recommend administrative or adverse action against the employee or contractor, to include termination of employment or the contractual relationship. In addition, the OIG may issue subpoenas for witness testimony and documentation for any matter under investigation by the OIG and may enforce these subpoenas in the Superior Court of the District of Columbia.

One of the most critical requirements for an Inspector General's office is that it must have the ability to investigate allegations of criminal and administrative misconduct independently, without outside interference or influence. The OIG is an executive branch subordinate agency and, therefore, the OIG is under the administrative control of the Executive Office of the Mayor (EOM). However, as mandated by the OIG statute, the OIG performs its audits, inspections, and evaluations independently of the EOM.

GENERAL ACTIVITIES

Various pieces of federal and local law have contributed to the OIG's current set of statutory responsibilities, which are codified at D.C. Code § 2-302.08 (2001). The D.C. Council established the statutory duties of the OIG through the D.C. Procurement Practices Act of 1985 (D.C. Law 6-85, effective February 21, 1986). The OIG's statutory powers were substantially modified in 1995 when Congress passed the D.C. Financial Responsibility and Management Assistance Act of 1995, Pub. L. No. 104-8, § 303 (adopted April 17, 1995). The Council strengthened the OIG's law enforcement powers 4 years later via the Office of the Inspector General Law Enforcement Powers Amendment Act of 1998 (D.C. Law 12-190, effective March 26, 1999). This Act was significant in that it authorized OIG's criminal investigators to: 1) carry firearms in the District of Columbia while engaged in the performance of official duties; 2) make arrests without a warrant for felony violations committed in their presence in the District; and 3) execute search warrants issued upon probable cause.

Subsequently, the D.C. Council passed the Office of the Inspector General Powers and Duties Amendment Act of 1999 (D.C. Law 13-71, effective April 5, 2000). This Act amended the OIG's statute by codifying the OIG's mission statement and the OIG's responsibility to make recommendations to the Mayor or agency heads for administrative sanctions against any employee or contractor who refuses to cooperate with an official OIG investigation. This Act also provided that the OIG has access to all papers, documents or property belonging to, or in use by, District government subordinate and independent agencies, except the D.C. Council and the District of Columbia Courts. The Act codified the OIG's policy of non-disclosure of the identity of complainants or individuals providing information to the OIG (unless the IG determines that disclosure is unavoidable or necessary to further the investigation). Finally, the Act required the OIG to comply with generally accepted auditing, inspection, and investigation standards and, every third year, to participate in a peer review that would provide a thorough assessment of the OIG's audit, inspection, and investigative standards, policies, procedures, and quality controls.

Currently, the OIG is responsible for the following:

- Independently initiating and conducting fiscal and management audits, inspections, and investigations of District government operations, as well as conducting other special audits, assignments, and investigations.
- Serving as the liaison representative for all external audits of the District government.
- Serving as the principal liaison between the District government and the U.S. General Accountability Office.
- Conducting an annual operational audit of the procurement activities of the District government.

GENERAL ACTIVITIES

- Forwarding to appropriate authorities evidence of criminal wrongdoing that is discovered as the result of any OIG audit, inspection, or investigation.
- Contracting with an outside auditing firm to perform the Comprehensive Annual Financial Report (CAFR) of the District government for each fiscal year.
- Notifying the Mayor of evidence of wrongdoing, where appropriate.
- Administering oaths, affirmations, and affidavits.

LEGISLATIVE ACTIONS REGARDING THE OIG STATUTE

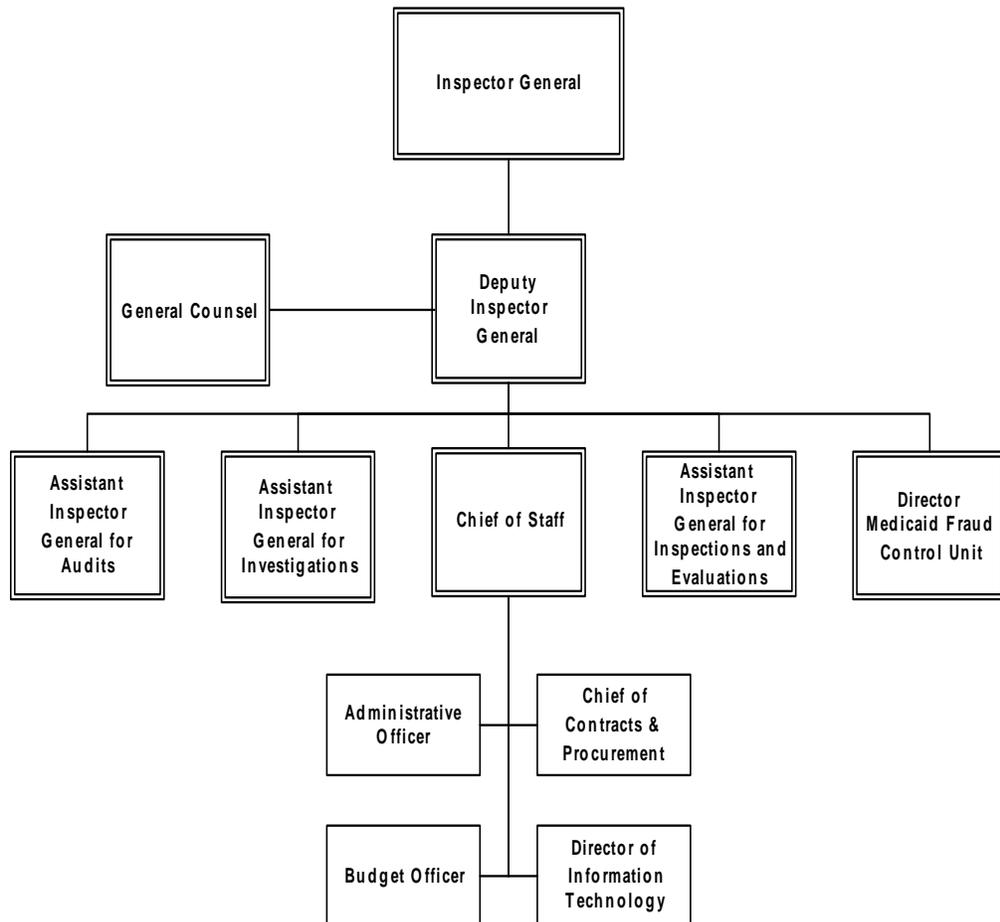
To ensure the independence of the agency, the OIG has statutory budget autonomy. Specifically, D.C. Code § 2-302.08(a)(2)(A) provides that the Mayor and the D.C. Council may only comment on or make recommendations to the OIG's annual budget estimates, and that neither may make revisions to the OIG's budget submissions. During fiscal year 2004, the D.C. Council attempted to remove the OIG's budget autonomy via the Fiscal Year 2005 Budget Request Act (D.C. Act 15-443). D.C. Act 15-443 removes the statutory prohibition that the D.C. Council may not revise the OIG's annual budget estimates. The measure did not receive Executive Branch approval. At the end of fiscal year 2004, the Fiscal Year 2005 Budget Request Act was pending before Congress. However, Congress did not adopt the Council's proposed changes to the OIG's budget, and enacted the District of Columbia Appropriations Act, 2005 (Pub. L. No. 108-335) on October 18, 2004, leaving the OIG's budget autonomy intact.

Commencing in November 2003, the D.C. Council instituted another series of legislation to amend the OIG statute – the Inspector General Appointment and Term Clarification Amendment Acts. The cumulative effect of this series of bills and resolutions - six in all (Resolution 15-313, Emergency Bill 15-562, Temporary Bill 15-563, Emergency Bill 15-709, Resolution 15-439, and Permanent Bill 15-566) - is to add two new sections to the OIG statute: 1) that the Inspector General appointed after November 4, 2003, will serve until May 19, 2008, that his/her successor's term will expire on May 19, 2014, and that the terms of succeeding Inspectors General expire every 6 years thereafter; and 2) that 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. Council's amendments clarify that the 6-year term for each Inspector General is fixed so that appointees to unexpired terms serve the remainder of their predecessor's terms. The amendments also require that the Mayor's decision to remove an Inspector General for cause is agreed to by a super-majority of the Council. The permanent bill, signed by the Mayor and transmitted to Congress as D.C. Act 15-503, is currently pending before Congress with an expected enactment date of February 28, 2005.

GENERAL ACTIVITIES

ORGANIZATION

The OIG is comprised of the Inspector General, the Deputy Inspector General, the General Counsel, the Chief of Staff, and four divisions: Audit; Investigations; Inspections and Evaluations; 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. The General Counsel oversees the legal staff, and the Budget Officer, the Chief of Contracts and Procurement, the Administrative Officer and the Supervisory Information Technology Specialist each report to the Chief of Staff. The Chief of Staff also directs relations with the media, the City Council, and Congress. The following organizational chart depicts the reporting hierarchy.



GENERAL ACTIVITIES

SENIOR STAFF

Senior staff positions were occupied as follows:

Inspector General
5/20/99 – 12/31/03: Charles C. Maddox

Interim Inspector General
1/1/04 – present: Austin A. Andersen

Deputy Inspector General
2/28/00 – 12/31/03: Austin A. Andersen
1/1/04 – present: Karen E. Branson (Acting)

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

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

Chief of Staff
5/21/00 – 10/3/03: Gloria P. Johnson
10/4/03 – present: Vacant

Assistant Inspector General for Investigations
2/10/03 – present: Robert G. Andary

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

Assistant Inspector General for Audits
6/18/00 – present: William J. DiVello

Deputy Assistant Inspector General for Audits
7/16/00 – present: Cheryl L. Ferrara

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

Deputy Assistant Inspector General for Inspections & Evaluations
6/21/99 – 7/2/04: Robert L. Isom
7/3/04 – 9/30/04: Vacant
10/17/04 – present: Lawrence Perry

GENERAL ACTIVITIES

Director of Medicaid Fraud Control Unit

2/22/00 – 12/12/03: Sidney Rocke
12/13/03 – 4/17/04: Vacant
4/18/04 – present: Susan B. Kennedy

Deputy Director of Medicaid Fraud Control Unit

1/27/03 - 4/17/04: Susan B. Kennedy
4/18/04 – 9/19/04: Vacant
9/20/04 – present: Jane Drummey

Administrative Officer

3/12/93 – present: Grace Y. Price

Budget Officer

3/16/98 – present: Ranee Phillips

Chief of Contracts & Procurement

9/9/01 – present: Russell Symons

Supervisory Information Technology Specialist

2/17/98 – present Lesly Valentin

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 number and type of training courses taken by personnel of the OIG Divisions.

The training courses received in FY 2004 by OIG personnel are summarized as follows:

<u>Type of Training</u>	<u>No. of Courses Taken By Various Employees</u>
1. Audit	186
2. Investigative	10
3. Inspections	07
4. Medicaid/Health Care Fraud	24
5. Computer	14
6. Legal	02
7. Human Resource Management	03
8. Office Management/Administrative	13
9. Management Supervisory	<u>10</u>
Total training courses:	269

GENERAL ACTIVITIES

BUDGET AND PERSONNEL

The Office of the Inspector General's FY 2004 approved operating budget from all sources was \$11.2 million. Of this amount, \$1.5 million was allocated for the Comprehensive Annual Financial Report. There were 108 full-time positions supported by this budget. The Office received 89 percent (\$10 million) from local funding, which supported 96 full-time positions (including four positions that represent a 25 percent local contribution to the federal grant that supports the Medicaid Fraud Control Unit). The Office received 11.0 percent (\$1.2 million) of its budget from federal funding, which supports 75 percent of the 16 full-time positions for the Medicaid Fraud Control Unit.

TESTIMONY BY THE INSPECTOR GENERAL FOR FISCAL YEAR 2004

As part of our operations, audits, inspections, and investigations, we are often asked to provide information to our stakeholders. Copies of the testimonies read can be accessed on our website. Appendix A contains the topics and dates of OIG testimony presented before the City Council and the U.S. Congress.

PRESS HIGHLIGHTS FOR FY 2004

We are often interviewed by media personnel on the results of our work in District agencies, and the results of our efforts are often reported in local news publications. It is our hope that stakeholders will become more aware of our efforts and that outside influences will help to correct reported deficiencies. Appendix B contains a selection of media highlights published in local news publications covering the work by the Office of Inspector General.

WEBSITE

The OIG website (WWW.OIG.DC.GOV) is a key source of information regarding OIG operations and public documents. It contains information about our legislative authority and organizational structure, including the biographies of key personnel. The site also posts the full text of all audit and inspections reports, notices regarding completed investigations, annual reports, testimony, press releases, requests for proposals, and vacancy announcements. To expedite action on important tips from the OIG Hotline and other sources, the site suggests the type of information individuals should provide to us when reporting fraud, waste, abuse, and mismanagement.



FISCAL YEAR 2005 AUDIT AND INSPECTION PLAN



FISCAL YEAR 2005 AUDIT AND INSPECTION PLAN

The annual audit and inspection plan (Plan) includes descriptions of 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 Public Law. The FY 2005 Plan includes audits and inspections ongoing as of September 1, 2004. 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. Responsible use of our audit and inspection resources has become increasingly important as the District seeks to maintain financial integrity and fiscal stability, despite known limitations for revenue growth. Clearly, District stakeholders have emphasized their continuing commitment to avoid risks that could trigger the re-emergence of budget deficits and management inefficiencies.

Our annual audit and inspection plan includes OIG initiatives for audit and inspection coverage that will focus on areas that present the highest risks to maintaining the District's continued financial strength. Similar to the thematic approach in FY 2004, our FY 2005 Plan will continue our focus on five 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

Ever mindful of the critical importance of maintaining a consistently strong financial posture, the Plan also takes 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. D.C. Code § 47-392.09 (2001) states, in part, that a "control period" is initiated upon the occurrence of any of the following events:

- requisitioning by the Mayor of advances from the Treasury of the U. S. under Title VI of the D.C. Revenue Act of 1939;
- failure of the District government to provide sufficient revenue to a debt service reserve fund of the Authority;

FISCAL YEAR 2005 AUDIT AND INSPECTION PLAN

- the default by the District government with respect to any loans, bonds, notes, or other form of borrowing;
- the failure of the District government to meet its payroll for any pay period;
- the existence of a cash deficit of the District government at the end of any quarter of the fiscal year;
- the failure of the District government to make required payments to pensions and benefits; or
- the failure of the District government to make required payments to any entity established under an interstate compact to which the District of Columbia is a signatory.

As has been the practice in the last 3 years, formulation of the Plan began with the initiation of the annual planning conference held in July, 2004. To ensure that FY 2005 audits and inspections focused on the issues that posed the greatest challenge to the District, we obtained the participation of a group of District agency officials, and an official from a neighboring jurisdiction, to speak about their concerns, serve as discussion panelists, and offer a critique of our audit process. Speakers and panelists included Robert Bobb, Deputy Mayor and City Administrator; Eric Price, Deputy Mayor for Planning and Economic Development; Tony Bullock, then Director of Communications for the Executive Office of the Mayor; Barbara Childs-Pair, Director of Emergency Management Agency; Cheryl Edwards, Chief of Staff at the Department of Health; Doug Smith, Director of Strategic Planning and Performance Management with the District of Columbia's Office of the City Administrator; and Lucinda Barbers, Deputy Director of the Department of Motor Vehicles.

Not only did this esteemed group provide valuable insight into their individual programs and challenges facing the city, their evaluation of our audit process provided an unbiased assessment in several important audit areas.

The realities of having limited resources and the unknown priorities arising from exigencies throughout the year often determine how many audits or inspections we can ultimately initiate and complete in any fiscal year. Also, many of the audit and inspection areas included transcend a given fiscal year. It is our hope that District managers will use this Plan to help further identify risk areas within their respective agencies so that they may begin to address issues identified herein, or previously reported, and begin to take actions to improve operational efficiencies before our audit or inspection.

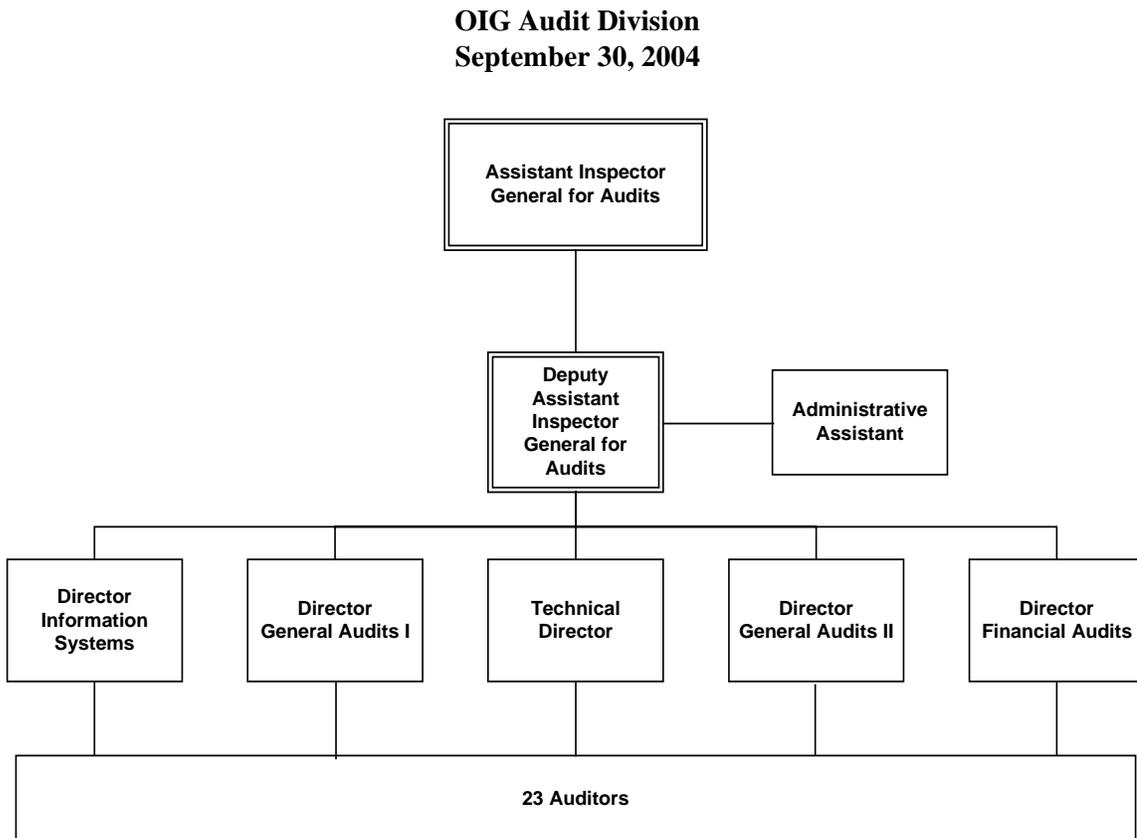
ACTIVITIES OF THE AUDIT DIVISION



ACTIVITIES OF THE AUDIT DIVISION

ORGANIZATION

The OIG Audit Division, comprised of a staff of 31 professionals, is headed by an Assistant Inspector General for Audits (AIGA), a Deputy AIGA, and 5 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 Systems; (2) General Audits I; (3) Technical; (4) General Audits II; and (5) Financial Audits.



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 the OIG's responsibility to report to District management and other stakeholders the results of such audits.

ACTIVITIES OF THE AUDIT DIVISION

The Division is staffed to perform the full spectrum of engagements, i.e., 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's protection or use of its resources in the most productive manner. The purpose of performance audits is to improve accountability and to facilitate effective decision-making.

CREDENTIALS AND QUALIFICATIONS

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 Public Accountant
- Masters Degree in Business Administration
- Masters Degree in Public Administration
- Certified Internal Auditor
- Certified Fraud Examiner
- Certified Government Financial Manager
- Certified Information System Auditor
- Certified Inspector General

PROFESSIONAL ASSOCIATIONS AND ORGANIZATIONS

The OIG has joined a number of professional organizations to enhance audit performance and broaden the audit staff's perspective through educational and professional associations with the National Association of Local Government Auditors (N.A.L.G.A.) and the Association of Inspectors General. Likewise, members of our staff are active in professional organizations such as the American Institute of Certified Public Accountants, Association of Government Accountants, National Association of Local Government Auditors, National Association of Certified Fraud Examiners, Information Systems Audit and Control Association, Association of Inspectors General, and Institute of Internal Auditors.

The OIG has been recognized in publications issued by N.A.L.G.A. and the Association of Inspectors General.

ACTIVITIES OF THE AUDIT DIVISION

KNIGHTON AWARD RECIPIENT

The Audit Division was awarded the N.A.L.G.A. Knighton Award for its report “Audit of Management of the 401 (a) Defined Contribution Pension Plan.” N.A.L.G.A., a professional association with headquarters in Lexington, Kentucky, is the acknowledged leader in local government auditing, with a membership of over 300 audit agencies and over 3,000 members.



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. The Auditor-in-Charge, Tom Surpitski, and Deputy Assistant Inspector General for Audits, Cheryl Ferrara, are pictured on the left with the Knighton Award.

The audit of the 401(a) Contribution Pension Plan was to determine whether forfeited funds were managed prudently and in accordance with law and regulation. This audit resulted in \$27.5 million monetary recovery for the District, of which \$22 million was immediately returned to the District’s General Fund and another \$5.5 million to be returned to the District for previous disbursements.

The N.A.L.G.A. judges commented that the D.C. audit demonstrated an area that is often overlooked yet holds out a great opportunity for significant savings. The judges further noted that the report’s conclusions are applicable to any jurisdiction and that its recommendations speak to making government more efficient and effective in its expenditure of funds.

AUDITOR TRAINING

To ensure its auditors meet qualification requirements of generally accepted government auditing standards, the Audit Division requires each auditor to complete 80 hours of continuing professional education every 2 years, with no fewer than 20 hours in any 1 calendar year. The OIG’s audit staff typically receives training in the following areas: procurement and contract administration; finding development and report writing; introductory auditor training; auditing internal controls; and information systems auditing.

Periodically, we invite guest speakers to address our auditors on accounting and auditing topics so that we may stay current on all pertinent issues. We also conduct in-house training sessions, which allow us not only to take advantage of our own expertise, but also to promote the sharing of ideas, audit approaches, and methodologies to address various issues within District agencies.

ACTIVITIES OF THE AUDIT DIVISION

CONTINUATION OF LIAISON ACTIVITY

Pursuant to the statutory mandate contained in D.C. Code §§ 2-302.08(a)(3)(B) and (C) (2001), the OIG is required to act as liaison representative to external organizations conducting audits of the District of Columbia government. The President's Council on Integrity and Efficiency is aware of this requirement and has asked member organizations to notify the OIG of any planned or future audits in the District. As a result, federal inspector general organizations and the General Accountability Office (GAO) have coordinated their work with the OIG. Reciprocally, we continually coordinate audit efforts with the GAO, the District of Columbia Auditor, and federal inspector general offices.

THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

The OIG contracts for an independent auditor to conduct a financial audit of the District's CAFR. The accounting firm of KPMG LLP (KPMG) was the independent auditor for the FY 2003 CAFR and will be conducting the audit of the FY 2004 CAFR.

FY 2003 CAFR. KPMG issued an Independent Auditors' Report on January 23, 2004. With the issuance of the FY 2003 CAFR, the city received its seventh consecutive unqualified opinion on its financial statements. This CAFR was also issued ahead of its due date of February 1, 2004, which we perceive to be an indication that the District's CAFR process has matured into an effective, if not routine, practice.

On April 2, 2004, the OIG issued KPMG's FY 2003 Management Letter, which is a companion document to the Independent Auditors' Report that identifies material weaknesses. The Management Letter also cites reportable conditions included in KPMG's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. The Management Letter identified material weaknesses in the Health Care Safety Net Administration Contract Management and in several agencies regarding supporting documentation for District Medicaid Provider Accounting and Financial Reporting.

The Management Letter also identified other reportable conditions relating to significant deficiencies in the design or operation of internal control over financial reporting that could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management. For FY 2003, there were six such reportable conditions. These conditions related to areas such as Human Resource/Payroll Process Management, Monitoring of Expenditures Against Open Procurements, and Unemployment Compensation File Maintenance. Though not as serious as material weaknesses, other reportable conditions warrant priority attention. In addition, KPMG reported observations about new accounting and financial reporting standards that the District will need to implement over the next few years.

ACTIVITIES OF THE AUDIT DIVISION

Finally, during the CAFR audit, KPMG auditors observed that the District continues to struggle with certain aspects of its grants financial management. Because of certain system limitations, especially in the UPPS payroll system, many expenditures that qualify for federal reimbursement are initially recorded against an agency's local budget, and a manual adjustment must be made to properly record the expenditure against the agency's federal budget authority. Although KPMG was unable to identify the dollar value of losses, the untimely posting of this adjusting entry by many District agencies resulted in an extended upfront investment of local dollars.

The District is making progress in eliminating previously identified material and nonmaterial conditions because few conditions are repeated from prior years. Nonetheless, the reported conditions noted above warrant management's attention.

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, which assists the OIG in fulfilling its oversight responsibility by monitoring the progress of the audit and addressing any issues that may arise or may prevent the audit from being completed timely. The Committee's purposes include: (1) monitoring the reliability and integrity of the Office of the Chief Financial Officer's (OCFO) financial reporting process and systems of internal controls regarding finance, accounting, and legal compliance; (2) monitoring the independence and performance of the District's independent auditors (Auditors); and (3) providing an open avenue of communication among the Auditors, Executive Office of the Mayor, Council of the District of Columbia (Council), OCFO, and other District management officials.

The Committee is comprised of District officials, who are independent of the OCFO, including at least two representatives each from the OIG, the Council, and the Executive Office of the Mayor. The Committee also invites representatives from the GAO, as well as CFO representatives, to attend select meetings, as appropriate.

AUDIT STANDARDS

The Comptroller General of the United States issued the 2003 Revision to Government Auditing Standards (the yellow book), which is effective for financial audits and attestation engagements of periods ending on or after January 1, 2004, and for performance audits beginning on or after January 1, 2004. The GAO classified the major changes from the 1994 version as those that: define the types of audits and their respective standards; provide for consistent application of generally accepted governing auditing standards, where applicable; and strengthen standards and provide clarifications.

The Audit Division has taken into account these changes for FY 2004 audits and started incorporating necessary changes into process and quality controls of the Audit Division, including an update of the OIG Audit Handbook.

ACTIVITIES OF THE AUDIT DIVISION

AUDIT PERFORMANCE MEASURES TO EVALUATE PROGRESS

With regard to our audit performance and productivity standards, we currently report on four performance measures: the number of reports issued; District agency coverage; the percentage of recommendations implemented; and the associated potential monetary benefits for the audit reports issued. The Audit Division's Performance Statistics for FY 2004 are reported in Appendix C.

We track audit recommendations so that we can assess the progress of corrective actions. 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. Audit recommendations do not produce the desired outcomes unless they are implemented. In FY 2002, the OIG conducted an audit of past recommendations made at District agencies. The results of this audit were used to establish the baseline. At the completion of our first audit, the audit recommendation implementation rate for District agencies was 80 percent. This audit will be conducted on a triennial basis. The next audit is scheduled to be completed in FY 2005.

SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDITS

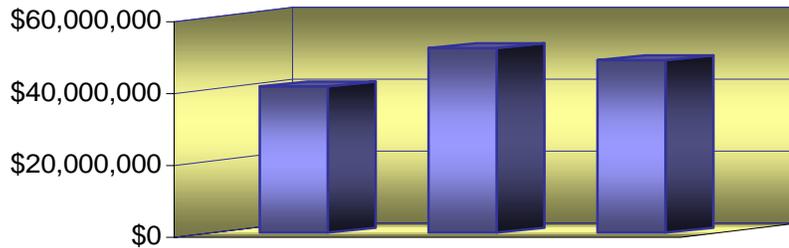
For FY 2004, we issued 42 reports with potential monetary benefits exceeding \$48 million. These benefits compare to Audit Division costs of approximately \$2.7 million. Accordingly, the return on investment for audits performed by OIG audit staff has been approximately \$18 for each dollar invested.

To more readily identify and report potential benefits, the OIG includes a schedule in each audit report that identifies potential benefits resulting from the audit. The schedule identifies the corresponding 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, e.g., deobligation 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.

The following chart compares the monetary benefits that the Audit Division identified in the previous 3 fiscal years.

ACTIVITIES OF THE AUDIT DIVISION

**Potential Monetary Benefits
Fiscal Years 2002-2004**



	FY 2002	FY 2003	FY 2004
Potential Monetary Benefits	\$ 40,533,678	\$ 51,241,260	\$ 48,025,070
Number of Audits Completed	36	36	42

In FY 2004, we added a column to the schedule that identifies the status of recommendations. At the issuance of the final report, we record each recommendation as open, closed, or unresolved. We will continue to work toward process improvements in measuring our productivity and performance using quantitative as well as qualitative measures, as appropriate.

AUDIT AGENCY/OFFICE COVERAGE

Audits performed were conducted as part of our FY 2004 Audit and Inspection Plan or because of emerging issues requiring our immediate attention. Our audit reports to agency heads recommended corrective actions which were necessary to improve operations, addressed noted deficiencies, and sought to ensure that agencies were in compliance with prescribed regulations, policies, procedures, and standards. Upon the issuance of our final reports, agencies described actions they had taken or planned to take to address our recommendations. Appendix D identifies the 28 District government agencies/offices audited during FY 2004.

FISCAL YEAR 2004 OPEN AUDIT RECOMMENDATIONS

For FY 2004, the Audit Division made a total of 113 recommendations to District management, of which, 39 are considered to be open as of September 30, 2004. As these reports have been recently issued, we plan to conduct follow-up reviews in subsequent reporting periods at these agencies and work in conjunction with the Executive Office of the Mayor to ensure that actions are taken to address recommendations made. Appendix E provides further information regarding open audit recommendations for FY 2004.

ACTIVITIES OF THE AUDIT DIVISION

NEW AUDIT INITIATIVES

Beginning in FY 2005, the OIG will implement a new audit initiative entitled the Audit Emphasis Program (AEP). The AEP's purpose is to provide broad audit coverage on critical issues to ensure the integrity and security of District agencies. At the beginning of each planning year, the OIG will identify the issues we plan to cover in the AEP. We will develop the audit steps to append coverage for these issues on every performance audit conducted during the fiscal year. At the conclusion of each audit, we will issue a Management Alert Report (MAR) on the AEP issues to agency management for their use and action on any recommendations.

The AEP provides three immediate benefits to our audit program. First, it provides prompt feedback to agency officials/managers about the operability of important security/integrity related initiatives. Second, it allows us to gather information from multiple District agencies throughout the year, analyze the collected data to identify potential systemic problems, and issue a capping report that includes recommended solutions. Third, we will be able to accomplish this self-imposed tasking without the use of additional audit resources.

For FY 2005, we have identified two critical initiatives, affecting nearly all District agencies that are to be included in the AEP. The first is a review of the District's compliance with Homeland Security policies that require District agencies to maintain a program for Continuity of Operations Planning (COOP). COOP provides the agency with plans for the following operations in the event of an emergency that may disrupt normal operations: continuing the operation of essential functions; delegation of authority and orders of succession; working offsite at alternative facilities; maintaining redundant communication systems; and protecting data and critical information. In this AEP, we will develop a limited number of audit steps to review District agency compliance with COOP guidelines.

The second AEP initiative is a review of the District's compliance with Mayor's Order 2003-136, dated September 25, 2003, concerning the performance of background checks on new employees hired for Information Technology (IT) positions and existing employees placed in new positions requiring greater IT security responsibilities. In this AEP, we will develop audit steps to test District agency compliance for obtaining background checks for personnel requiring such clearances.

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 have designed our audits to concentrate on five 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 five themes are as follows:

ACTIVITIES OF THE AUDIT DIVISION

- I. Revenue Enhancement
- II. Spending and Efficient Use of Resources
- III. Delivery of Citizen Services
- IV. Support Services
- V. Audits Required by Law

For FY 2004, the Audit Division issued 28 final reports and 14 Management Alert Reports. Complete summaries of these reports are included at Appendices F and G, respectfully. To show the results of our audits by their respective risk area, we have summarized a selection of significant audits under each of the five themes identified above.

AUDIT HIGHLIGHTS BY THEME

Revenue Enhancement

We have conducted audits focusing on the Revenue Enhancement theme that addressed the following Issue Areas: Medicaid, Grants Management, Tax Collections, and Other Revenue Issues.

Audit of the Management of the 401(a) Defined Contribution Pension Plan, OIG No. 03-2-19AT, issued October 15, 2003

This report addressed the accumulation of \$27.5 million of funds forfeited from the 401(a) Defined Contribution Pension Plan and the need to comply with District and federal regulations. It also discussed the investment of forfeitures in Plan options that are intended for long-term investors. Accordingly, we noted that the forfeitures are at risk of greater loss than would otherwise exist if invested as authorized.

This report directed three recommendations to the District of Columbia Chief Financial Officer (CFO). We recommended that the CFO offset contributions to the Defined Contribution Plan with forfeitures and apply saved budgeted funds to other purposes as authorized by District law. We also recommended discontinuing new District contributions to the Defined Contribution Plan in instances where forfeitures have accumulated, and investing forfeited funds in safer investments to protect the principal.

Audit of the Management of Grantee Operations at the Office on Aging, OIG No. 03-2-03BY, issued March 30, 2004

The audit found that the District of Columbia Office on Aging's (DCOA) management needs to improve monitoring and oversight of the grantee, Senior Citizens Counseling & Delivery Service (SCCDS). Our review showed that DCOA encountered difficulty in managing grant funds in an efficient and economical manner. We noted that SCCDS was not operating under

ACTIVITIES OF THE AUDIT DIVISION

proper District licensure, did not follow or maintain bylaws, and had not established an active and viable Board of Directors. Further, SCCDS operated and received DCOA grant funds without submitting an audit to the DCOA in accordance with Office of Management and Budget (OMB) Circular No. A-133, “Audits of States, Local Governments, and Non-Profit Organizations.” Also, SCCDS failed to take corrective action on repeated findings described in reports performed by Certified Public Accountants (CPAs) on SCCDS’s financial statements.

Additionally, DCOA made payments to SCCDS without proper documentation to support SCCDS claims for reimbursement. Our review of SCCDS records did not substantiate the claims SCCDS submitted for reimbursement. SCCDS did not have or maintain critical records required by the DCOA Grants Management Manual. Finally, although SCCDS had been operating under the financial oversight of a fiduciary agent, the fiduciary agent indicated that it had not been able to exercise its fiduciary responsibilities over SCCDS because of resistance from the SCCDS Executive Director.

We directed 20 recommendations to the Executive Director, DCOA, that centered, in part, on improving the oversight of grantee operations and ensuring that SCCDS operate with current business licenses and certifications. We also sought to improve the fiduciary agent’s oversight by having the fiduciary submit a time-phased plan for securing SCCDS cooperation within the framework of the Memorandum of Understanding. To limit losses, we recommended recovery of funds for inflated billings and unsupported claims, cessation of SCCDS prohibited activities, and compliance with OMB Circular No. A-133 requirements. We also addressed recommendations to update the DCOA Grants Management Manual, specifically the grantee record-keeping provisions.

Spending and Efficient Use of Resources

Spending pressures in the last couple of years have sharpened our resolve to examine programs that present the greatest risk of monetary drain on District funds. As such, we have conducted audits that address the efficiency of operations at the District of Columbia Public Schools (DCPS) and the Department of Housing and Community Development (DHCD). We continued to concentrate on audits of procurements of goods and services, focusing on the acquisition of computer hardware, software and services, consultant contracts, sole source contracting, and management over advance payments to contractors.

Additionally, the results of past OIG audits have identified major control issues facing the District. These control issues include security, integrity, and fund control. We have also reported that improvements are needed in the District’s infrastructure in administrative areas, real and personal property, and equipment. Lack of control has resulted in less than optimal services to District residents and to vulnerable populations.

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In FY 2004 we concentrated our audit efforts at DCPS. DCPS has experienced significant crises over the last few years in the management of procurement, security, special education, transportation, and financial resources.

Below is a summary of the audits conducted at DCPS, which were issued in FY 2004.

Audit of Physical Security at the District of Columbia Public Schools, OIG No. 03-2-14GA(b), issued September 10, 2004

Our report contained one finding that addressed the conditions we observed and documented 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.

We directed seven recommendations to the Interim Superintendent, DCPS, that addressed developing a comprehensive school safety and security plan; developing a risk assessment and performing physical security reviews for each D.C. public school; and collaborating with the D.C. Fire and Emergency Medical Services to develop measures to adequately address the security problems involving the preponderance of entry doors, especially at high-risk schools.

Further, we recommended identifying and replacing inoperable camera equipment and equipment that provides inadequate surveillance coverage; identifying areas within the schools that are not covered by surveillance cameras; and taking actions to upgrade closed-circuit television equipment, and train personnel in use of the equipment. Lastly, pending performance of a risk assessment, we recommended evaluating the assignments of school security personnel to determine if sufficient personnel are assigned to D.C. Public Schools.

Audit of the District of Columbia Public Schools' Incident Reporting, OIG No. 03-2-14GA(a), issued September 7, 2004

We found that DCPS had not developed a comprehensive security incident-reporting system to centrally record and track all school security incidents from initiation to final disposition. The lack of a comprehensive management information system was further complicated by inconsistent or undeveloped school security policies and procedures which, in turn, contributed to DCPS's inability to provide the final disposition of reported incidents. Many of the serious incidents appear to have not been resolved in a timely manner. For example, in some of the serious incidents that were recorded, DCPS had not updated their "current disposition" for over 1 year. A comprehensive system would afford DCPS management the

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ability to monitor and track school incidents for several important purposes, e.g., timely resolution of incidents, reduction of teacher administrative leave, documentation of the event up to final disposition, and monitoring of student behavior to prevent recurring incidents, especially by the same student.

Further, without accurate and complete incident reporting data, DCPS may not have sufficient incident information necessary to comply with the No Child Left Behind Act's requirements.

We recommended that DCPS establish definitive policies and procedures governing the process for resolving reported incidents and develop operational procedures to standardize data elements entered into the incident reporting system.

We further recommended that DCPS notify parents or guardians of student infractions and disciplinary actions; update the incident-reporting database to reflect the final disposition of each incident; and review and update all security procedures and security-related guidance.

Audit of the District of Columbia Public Schools' Procurement of School Security Services, OIG No. 03-2-14GA(e), 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. In addition, in the *Other Matters of Interest section*, we discuss DCPS' questionable use of letter contracts during the October 1, 2001, to July 31, 2003, period.

We directed three recommendations to the DCPS and two recommendations to the Office of Contracting and Procurement (OCP). The recommendations to DCPS were designed to assist them in developing and implementing policies and procedures for instituting advanced procurement plans and for obtaining the Superintendent's and required Council's approvals for procurements over \$1 million. Our two recommendations to OCP concerned updating Title 27 of the District of Columbia Municipal Regulations to include guidelines for the use of task orders and the submission of task orders to the Council for procurements greater than \$1 million when the underlying task order contract has not been subject to Council's approval.

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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

Our review of the grant agreements and project files for the Community Center and Soil Stabilization projects disclosed that the grant subrecipients did not use a total of \$1,164,260 in grants funds for the intended purposes. Of the \$1,315,446 of Community Development Block Grant (CDBG) funds advanced to fund pre-development and construction costs for the Community Center project, \$748,190 were not supported with valid vendor invoices for work completed on the project. Similarly, a review of documents and records related to the Soil Stabilization project showed that although \$950,000 of Home Investment Partnerships Act (HOME) grant funds was advanced for the project, \$416,070 of project costs had not been properly documented.

In response to a Management Alert Report (MAR 03-A-01) issued during the audit, DHCD immediately agreed to suspend cash disbursements for the Walter E. Washington Estates Community Center Project, recovered \$597,620, obtained additional documentation to support project costs for \$155,508, and conducted a reconciliation of the \$1.3 million advance of grant funds disbursed to the grant subrecipient. DHCD also obtained additional documentation to support project costs for the Soil Stabilization Project amounting to \$292,570.

We directed recommendations to the Director, DHCD to establish policies and procedures that address the criteria for receiving a cash distribution in the form of a cash advances and establish guidance addressing the method to be used to distribute the cash.

We also recommended that DHCD establish timelines for submitting documentation required to support cash disbursements from subrecipients; formalize the types of documentation that are considered to be valid support for incurred expenditures for cash distributions; and develop responsibilities and procedures for conducting a reconciliation of cost expenditures.

Further, we recommended that DHCD establish guidance and procedures for awarding and administering a cash disbursement; specify a subrecipient's specific administrative responsibilities related to cash disbursements; require that future cash draws disbursed to the grant subrecipient be disbursed on a cash reimbursement basis; and initiate recoupment action as appropriate to recover all HOME funds not supported by valid cost documentation.

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Delivery of Citizen Services

In the last few years, we have increased our audit coverage of agencies responsible for delivery of essential citizen services. In FY 2004, we provided audit coverage for many of the large District service organizations. The common goal of these audits was to improve the efficiency and effectiveness of municipal services to District residents.

District leaders frequently have expressed concern about whether taxpayer dollars are being used optimally to serve the citizens' best interests in a number of areas. We share these concerns and have completed audits on housing (HOPE VI programs at D.C. Housing Authority), child support services (payment systems), community development, and mental health (St. Elizabeths Hospital).

Audit of the Department of Housing and Community Development's Management of Community Development Corporation Projects, OIG No. 02-1-9DB(d), issued March 2, 2004

Our audit found that DHCD needed to improve its monitoring of neighborhood development projects and properly document project files. Specifically, 25 of 27 project files reviewed, totaling approximately \$23 million in grant funds, did not contain documentation to indicate that a site visit was made by DHCD staff to monitor the progress and performance of the grant subrecipient. Further, none of the files were consistently or uniformly organized, and pertinent information had not been properly updated. The files were not centrally located and some were missing important documents. Additionally, required closeout documents for completed projects had not been included in the project files. Finally, for the Jammin Java Neighborhood Project, we discussed that \$240,000 in grant funds remained obligated, although the project had been cancelled. In addition, complete documentation was not available for our review regarding the 1225 Fairmont Street project.

We addressed recommendations to the Director of DHCD to: develop, document, and implement procedures and controls to ensure that projects are routinely and continuously monitored; develop and implement a computerized project tracking system to measure a project's progress against goals and milestones; and obtain and provide complete documentation for the 1225 Fairmont Street Project. Further, we recommended that DHCD initiate de-obligation actions for the \$240,000 in CDBG funds that remain encumbered for the cancelled Jammin Java neighborhood project; establish and implement procedures and controls to ensure that DHCD project managers retain documents in project files; and establish procedures and controls to ensure that DHCD project managers properly complete the document checklist form and update information in project files.

ACTIVITIES OF THE AUDIT DIVISION

Audit of the Department of Housing and Community Development's Management of the Drawdown of Reimbursable Expenditures, OIG No. 02-1-9DB(b), issued November 14, 2003

Our audit disclosed that DHCD did not submit to the U.S. Department of Housing and Urban Development (HUD) for reimbursement (drawdown) the HOME funds portion of 32 of 110 HOME mortgage loans. DHCD also did not draw down the CDBG funds portion of 2 of 456 home mortgage loans provided by the Greater Washington Urban League. As a result, DHCD had not obtained \$506,828 in reimbursable HOME and CDBG expenditures from HUD for 34 completed mortgage loans in order to reimburse District of Columbia general fund accounts in a timely manner.

As a result of this audit, DHCD initiated actions to draw down funds from HUD amounting to \$506,828 for 34 mortgage loans. In addition, DHCD established formal drawdown administrative procedures and appointed an internal federal funds coordinator.

We believe that actions taken by DHCD to establish administrative procedures by the issuance of Administrative Instruction 3000-03 and the appointment of a federal funds coordinator to monitor the process should resolve the problems identified in the audit reports.

Audit of Procurement Activities by the Office of Contracting and Procurement and the Department of Human Services, OIG No. 02-1-3MA, issued November 20, 2003

We found that the Department of Human Services (DHS) violated District of Columbia financial policies by deobligating and redirecting funds that were encumbered for existing contracts in order to fund other contracts. The cost of those contracts was satisfied through pooling the deobligated monies and the use of direct payments to the vendors. A direct payment is a funding method usually reserved for unexpected non-procurement events, such as payments for court-ordered contracts. However, the District of Columbia Municipal Regulation and the Financial Policies and Procedures Manual (FP&PM), which is currently in draft, governs how accounts payable will be established and handled in the District. They specifically prohibit the deobligation of funds from existing contracts in order to fund new contracts unless the existing contract is cancelled or some other accommodation is reached to assure the contractor that funding is available. In addition, the FP&PM states that if such a deobligation were to occur, it is a violation of the Anti-Deficiency Act.

Our audit report contained four recommendations that focused on determining if a violation of the Anti-Deficiency Act occurred. Other recommendations addressed finalizing the draft FP&PM and establishing supervisory oversight control procedures over the deobligation of contracts.

ACTIVITIES OF THE AUDIT DIVISION

Support Services

Audit of Fiscal Year 2003 Agency Performance Measures or Agency Key Results Measures, OIG No. 04-1-03MA, issued June 17, 2004

For the 9 District agencies selected for the audit, we tested 47 of their 92 FY 2003 performance measures. Of the 47 performance measures tested, 28 measures were accurately reported to the Office of the City Administrator (OCA) as indicated by supporting documentation. We could not verify that the performance measures reported to OCA for the remaining 19 measures were accurate because supporting documentation was lacking. We did acknowledge that the District of Columbia has made substantial progress in improving its performance management system.

However, we believe that the District can benefit by reinforcing policies and procedures that would require agency heads to maintain supporting documentation, and to have them readily available when requested by the OCA or other entities to support reported results of their performance measures. Internal controls need to be developed to ensure an adequate audit trail, figures are supported, and documents are retained in support of the various measures. Additionally, the District needs to ensure that agencies obtain written approval from the OCA before performance measures and/or targets are modified or tracking is discontinued.

Audits Required by Law

Various laws require the OIG to perform specific annual audits, some of which must be performed only by contracts with CPA firms. Largest among the required audits is the CAFR. In addition, the District's annual appropriation often includes language that requires the OIG to conduct one-time audits.

The fiscal health of the city is directly linked to the integrity of its financial books and records. This issue area has come under greater scrutiny because of recent reporting lapses of various business institutions. In addition to providing oversight of the CAFR, we normally conduct audits of several funds which are required by District and federal laws. Highlights of these mandated audits conducted in FY 2004 are shown below.

Home Purchase Assistance Program Financial Statement Audit for the Fiscal Year Ended September 30, 2001, OIG No. 03-1-08DB, issued October 15, 2003

The Independent Auditor's Report on Financial Statements presented an unqualified opinion. The audit was conducted by contract under the purview of the OIG.

The Independent Auditor's Report identified a reportable condition involving internal controls over financial reporting that is considered a material weakness. This reportable condition and other findings relative to the timely recording, processing, and reconciliation of loan data have been identified in previous years' audit reports and continue to be reported as

ACTIVITIES OF THE AUDIT DIVISION

internal control weakness associated with the Home Purchase Assistance Program. DHCD has concurred with these past findings and has cited actions that it plans to take to address these conditions. However, DHCD has not completed the proposed actions.

Professional Engineers' Fund Management Letter for the Fiscal Year Ended September 30, 2002, and the Six-Month Period Ended September 30, 2001, OIG No. 03-1-9CR(c), issued 1/26/2004

The Department of Consumer and Regulatory Affairs (DCRA) and Office of the Chief Financial Officer (OCFO) personnel did not record in the District's System of Accounting and Reporting (SOAR) nearly \$8.90 million of revenues and expenses generated from professional licensing fee activities during the 5-year period ending September 30, 2002. Our audit found that DCRA and OCFO did not have documented procedures that require total revenue and expense activity for each of the professional licensing boards to be recorded in SOAR. As a result, the District's CAFR did not report the actual costs for providing contractual services, including licensing services, for economic regulation.

Audit of the District of Columbia Highway Trust Fund, OIG No. 04-1-01KA, issued January 30, 2004

This report summarizes the OIG review of the District of Columbia Highway Trust Fund's (Fund) 5-year forecast of conditions and operations. The objective of our review was to evaluate the underlying assumptions made and methodologies used to develop the statements. These statements are used to provide a reasonable basis for the 5-year forecast of the District's ability to meet future local matching requirements under the Federal Highway Administration Program for capital improvements to the District's transportation structure. We conducted our examination in accordance with GAGAS, incorporated in American Institute of Certified Public Accountants standards for attestation engagements, and included such tests as we considered necessary under the circumstances.

Our audit determined that 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, 2003, and its revenues, expenditures, and changes in fund balance for the year then ended.

We did not find any major issues of internal control weaknesses or non-compliance with regulations that we considered material during our FY 2003 audit.

Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting, OIG No. 04-1-14MA, issued February 6, 2004

The two material weaknesses addressed in the report are: (1) Health Care Safety Net Administration Contract Management; and (2) District Medicaid Provider Accounting and

ACTIVITIES OF THE AUDIT DIVISION

Financial Reporting. The report also indicated the extent to which the District corrected the conditions cited in the previous year.

KPMG set forth recommendations for correcting material weaknesses and other reportable conditions noted. While the OIG will continue to assess the District agencies' implementation of recommendations, it is the responsibility of District government management to ensure that agencies correct the deficiencies noted in audit reports. This Office will work with managers, as appropriate, to help them monitor the implementation of recommendations.

Report on the Examination of the District of Columbia's Highway Trust Fund Forecast Statements for Fiscal Years 2004-2008 with Actual Audited Figures for FY 2003, OIG No. 04-1-01KA, issued May 28, 2004

Our examination included a review of existing internal controls for the purpose of expressing an opinion on the accompanying forecasted statements. In our opinion, the forecasted statements were presented in conformity with guidelines for presentation of forecasted information established by the American Institute of Certified Public Accountants. The underlying assumptions made and methodologies used to develop the statements provided a reasonable basis for the 5-year forecast.

Our audit found that the financial statements present fairly, in all material respects, the financial position of the District of Columbia Highway Trust Fund as of September 30, 2003, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

District of Columbia Management Letter September 30, 2003, OIG No. 04-1-19MA, issued April 2, 2004

Along with the CAFR, KPMG issued the FY 2003 Management Letter citing material weaknesses in multiple agency or program areas. KPMG reported material weaknesses in the Health Care Safety Net Administration Contract Management and in several agencies regarding supporting documentation for the District Medicaid Provider Accounting and Financial Reporting.

Other reportable conditions related to significant deficiencies in the design or operation of internal control over financial reporting that could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management. For FY 2003, there were six such reportable conditions. These conditions related to areas such as Human Resource/Payroll Process Management, Monitoring of Expenditures Against Open Procurements, and Unemployment Compensation File Maintenance. Though not as serious as material weaknesses, other reportable conditions also warrant priority attention. KPMG also reported observations about new accounting and financial reporting standards that the District will need to implement over the next few years.

ACTIVITIES OF THE AUDIT DIVISION

Finally, during the CAFR audit, KPMG auditors observed that the District continues to struggle with certain aspects of its grants financial management. Because of certain system limitations, especially in the UPPS payroll system, many expenditures that qualify for federal reimbursement are initially recorded against an agency's local budget, and a manual adjustment must be recorded to properly record the expenditure against the agency's federal budget. The District should continue to focus on improving its grants management function to maximize federal reimbursement and interest earnings.

The OIG will work with managers, as appropriate, to help them monitor the implementation of recommendations.



**ACTIVITIES OF THE INSPECTIONS
AND EVALUATIONS DIVISION**

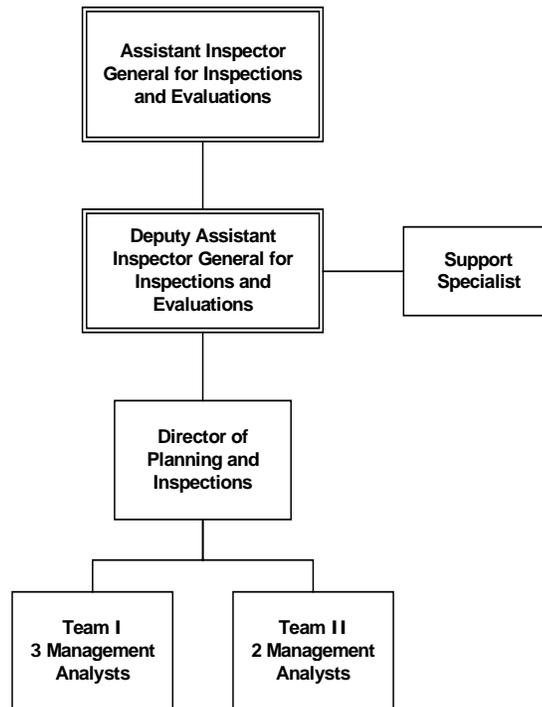


ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION

ORGANIZATION

The OIG Inspections and Evaluations Division (I&E) is headed by an Assistant Inspector General (AIG), a Deputy Assistant Inspector General (DAIG), and a Director of Planning and Inspections (P&I). The AIG sets policy and, through the DAIG, provides leadership and direction to the Division. The Director of P&I manages inspection and evaluation activities both in the field and at OIG headquarters, and oversees the day-to-day administrative activities in the Division.

OIG Inspections and Evaluations Division September 30, 2004



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 operations, programs, policies, or procedures. Inspections provide senior managers with an independent source of factual and analytical information about vital operations, measuring performance, assessing efficiency and effectiveness, identifying areas of mismanagement, fraud, waste, and abuse. I&E is also responsible for monitoring agency compliance with the Inspector General's recommendations resulting from these inspections. Inspection results are published in a Report of Inspection (ROI) and in Management Alert Reports (MAR). The OIG provides

ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION

MARs during the course of an inspection when the Inspector General believes that a matter surfaced during an inspection requires the immediate attention of the head of an agency or department. The findings developed during inspections may lead to recommendations for investigations or audits.

CREDENTIALS AND QUALIFICATIONS

The I&E has five inspectors and a support specialist. All inspectors have 4-year degrees from an accredited college or university and, in most instances, a graduate degree related to the fields of management analysis or public administration. Senior Inspectors must have significant experience working in or with state or federal governments as inspectors, management analysts, or managers. Upon entering on duty, new inspectors receive both formal refresher training as well as specific on-the-job training in the analysis and evaluation of organizations and their management.

INSPECTION STANDARDS

I&E inspectors adhere to the standards for OIG inspections and evaluations promulgated by the President's Council on Integrity and Efficiency, as well as to the standards mandated by the Inspector General of the District of Columbia. Inspectors pay particular attention to the quality of internal control exercised by managers in inspected agencies.

PERFORMANCE MEASURES USED TO EVALUATE PROGRESS

The number of findings and recommendations made, the degree of agency compliance with agreed-upon recommendations, and subsequent improvements in agency operations as determined through re-inspections are clear indicators of the effectiveness of the overall performance of the OIG inspection program. Inspections and Evaluations Division performance statistics for FY 2004 are reported in Appendix H.

SUMMARIES OF REPORTS ISSUED

In FY 2004, the I&E Division issued 4 reports of inspection, 1 special report, and 7 MARs, with a total of 79 findings and 155 recommendations. Inspections can take from 3 months to a year, depending on the size of an agency, the complexity of issues, and the inspection resources available. Recommendations were made to agency and department heads that call for corrective measures to improve operations, address deficiencies, and ensure that District and federal laws, regulations, and policies are followed. Costs and recommendation status for the reports issued during FY 2004 are reported in Appendix I.

ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION

1. Department of Human Services/Youth Services Administration/Oak Hill Youth Center – Management Alert Report 03-I-007, issued October 9, 2003

The inspection of the Department of Human Services/Youth Services Administration (YSA)/Oak Hill Youth Center (OHYC) revealed serious breaches of security at entrances to the secure detention facility. The inspection team (team) found that the control of pedestrians and vehicles entering the facility was inadequate and sometimes negligent; security guards were not using effective frisk or pat search procedures and were not thoroughly searching bags, packages, containers, and other personal items of employees and visitors entering the secure facility; and metal detectors were not always used. Consequently, searches of youth residential areas frequently revealed contraband such as marijuana, lighters, cigarettes, and videotapes. In addition, the team found contract security guards working at the facility without required or complete criminal background checks. As a result of this MAR, the City Administrator replaced all contract security guards with D.C. Department of Corrections employees to better secure entrances to the facility.

We recommended that the Administrator of YSA provide adequate policies, procedures, and training for security guards; ensure that security guards receive a criminal records clearance prior to assignment at OHYC; ensure that metal detectors be used at all times; and ensure the proper monitoring and performance evaluation of security guards assigned to OHYC security posts.

2. Department of Health, Emergency and Medical Services Administration (EMSA) – Report of Inspection 03-0010HC, issued November 2003

The inspection of the Department of Health (DOH)/Emergency and Medical Services Administration (EMSA) produced six findings and six recommendations regarding EMSA's ability to coordinate the delivery of emergency medical and trauma care services; to plan and implement direct emergency responses for DOH; and to ensure that all government and privately-owned ambulances are inspected and certified in accordance with city licensing standards. The team found that EMSA lacked a quality assurance program; had no strategic plan for providing emergency medical and trauma care services; was inadequately staffed to carry out assigned tasks; and did not inspect and certify private air ambulances operating in the District.

We recommended that the Director of the Department of Health (D/DOH) give high priority to developing and publishing a comprehensive EMS plan for the District; seek appropriated funds for a sufficient number of employees to carry out EMA's assigned tasks; and ensure that EMSA develop a quality assurance program that systematically reviews policies, procedures, facilities, equipment, personnel, and day-to-day operations to establish and maintain confidence in the processes used to coordinate delivery of critical emergency services to District stakeholders. In addition, the team recommended that the D/DOH work

ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION

with the Attorney General for the District of Columbia to determine the need for DOH or other District oversight of aircraft used in District airspace as air ambulances.

3. Department of Health, Office of Primary Care, Prevention, Planning, and Medical Affairs –Report of Inspection, 03-0009-HC, issued November 2003

The inspection of the Department of Health (DOH)/Office of Primary Care, Prevention, Planning, and Medical Affairs (PCCP) produced 9 findings and 10 recommendations. This report evaluated two key projects within PCCP –the State Health Plan and the D.C. Public Schools Immunization Project. The team found that despite spending approximately \$400,000 for development of a 2002-2007 State Health Plan, the plan had not been released and DOH had not issued a required state health plan since 1989. In addition, the team found that PCCP lacked sufficient personnel to administer the Certificate of Need (CON) program; and did not have an information technology program to collect and analyze healthcare data from providers concerning the use and management of services, costs, charges, and patient demographics as required by the D.C. Code. However, the team found that DOH did an excellent job in carrying out the 2001-2002 child immunization program for the D.C. Public Schools Immunization Project.

We recommended that the Director of DOH establish a plan for development of a State Health Plan; assign additional personnel to administer the CON program; establish a data collection program; and develop ways to increase reporting of health services data.

4. Department of Human Services/Youth Services Administration/Oak Hill Youth Center –Management Alert Report 03-I-008, issued November 20, 2003

The team observed a lack of sufficient and reliable communication equipment during the inspection of Oak Hill Youth Center (OHYC). These deficiencies threatened overall safety and security, and particularly impaired the ability of OHYC Youth Corrections Officers (YCO), transportation officers, treatment team leaders, and social service representatives to perform their jobs effectively. The team found that in addition to an inadequate number of two-way radios and telephones, some telephones located in YCOs' offices within the OHYC housing units were not functioning. The team also found that some transportation officers who escort youths outside the facility were not issued radios or cell phones for emergency communication.

We recommended that the Administrator of YSA ensure that each YCO has a functional two-way radio for the duration of his or her shift; that an adequate number of telephones be provided in YCOs' offices and inoperable telephones be repaired; that transportation officers be issued two-way radios or cell phones while escorting youths; and that all employees in the Social Services Division (treatment team leaders, social services representatives, and their supervisors) have functioning telephones and voice mailboxes.

ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION

5. Department of Human Services/Youth Services Administration/Oak Hill Youth Center –Management Alert Report 03-I-009, issued January 7, 2004

During a site visit to the girls' housing unit at OHYC, the team observed a number of serious deficiencies that impaired the ability of YCOs to effectively maintain the safety and security of the residents, and to ensure their own safety as well. The team found this housing unit had only one two-way radio for use by five security officers; there was no wired telephone in the event of an emergency; doors to residents' rooms had to be manually unlocked in the event of fire or other emergency, but only two YCOs had keys to these rooms; the electronic monitoring equipment for the housing unit was inoperative; and the metal detector and hand wand at the entrance of the unit were not always utilized.

We recommended that the Administrator of YSA provide an adequate number of two-way radios and telephones to YCOs on this unit; ensure that each YCO on duty in this unit have a set of keys to all locks on the unit; repair or replace electronic monitoring equipment; use the metal detector and hand wand at the entrance of the unit in accordance with policies and procedures; and explore the feasibility of a central locking and unlocking system for all doors.

6. Department of Human Services/Youth Services Administration/Oak Hill Youth Center –Management Alert Report 03-I-010, issued December 31, 2003

The team reviewed YSA fire safety policies and procedures at OHYC and documented numerous deficiencies that posed serious threats to the safety of residents and employees. During the inspection the team found that fire extinguishers were not accessible; deficiencies cited by the District of Columbia FEMS, Fire Prevention Bureau had not been abated; fire drills were not conducted; emergency evacuation plans were not posted in critical areas; and OHYC did not have a trained Health and Safety officer to conduct fire safety inspections.

We recommended that the Administrator of YSA ensure that employees have access to fire extinguishers at all times, that deficiencies cited by the FEMS Fire Prevention Bureau be abated immediately; that emergency evacuation plans be posted in critical areas; that fire drills be conducted and documented; and that a Health and Safety Officer be hired or provide adequate training to a designated OHYC employee to conduct monthly fire inspections.

7. Department of Human Services/Youth Services Administration/Oak Hill Youth Center –Management Alert Report 03-I-011, issued January 7, 2004

During our inspection of OHYC, the team reviewed a random sample of youth drug test results and found that numerous residents who tested negative for drug use upon arrival at OHYC tested positive for marijuana and PCP after being confined. OHYC employees revealed to the team that YCOs' were the primary source of illegal substances used by youths

ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION

in OHYC, and that the lack of proper security checks at the entrances of the facility allowed YCOs, and presumably others, to carry in contraband past the security guards.

We recommended that the Administrator of YSA request that the Department of Human Services, Office of Internal Compliance investigate allegations by OHYC staff that YCOs were transporting illegal substances into OHYC; and explore the feasibility of implementing a canine detection program for illegal substances at OHYC.

8. Department of Human Services/Youth Services Administration/Oak Hill Youth Center – Management Alert Report 03-I-013, issued January 28, 2004

OHYC is located on the former location of Forrest Haven, a District-run facility for severely handicapped youths. The site contains numerous buildings once used for housing, training, and support that have been unused and abandoned since Forrest Haven was closed in 1991. During the inspection, the team found that many of these abandoned buildings have been vandalized and, in some buildings, fires have been set. The amount of vandalism and debris (such as discarded clothing and other personal items) observed by the team made it clear that trespassers had easily and consistently accessed the buildings. In addition, the team found that many of these buildings, although not in use, still had active electrical and water service.

We recommended that the Administrator of YSA ensure that each abandoned building at OHYC is secured against vandalism; and that electric and water services to unused buildings are disconnected.

9. Department of Human Services/Youth Services Administration/Part One: Oak Hill Youth Center – Report of Inspection 03-0014YS, issued March 2004

The inspection of the YSA management, administrative services, and all operations of OHYC produced 45 findings. The team found high employee turnover throughout YSA, particularly at the highest levels of management; poor management of operations and personnel; significant safety and security problems; a lack of written policies and procedures; and very low employee morale. The team found that many of the continuing problems at YSA cited in this report stemmed from: (a) the lack of stable leadership at senior levels of YSA; and (b) insufficient oversight by senior management at DHS who the team found may be too far removed from YSA's day-to-day operations and the youths being served. Based on the findings in this report of inspection, the team rated YSA as a poorly performing component of the District's juvenile justice system.

This report also contained 96 recommendations, including a recommendation that the Mayor give immediate consideration to remove YSA from DHS and establish a separate, cabinet-level agency whose Director reports to and is directly and sufficiently overseen by the Deputy Mayor for Children, Youth, Families, and Elders.

ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION

10. Department of Public Works/Solid Waste Management Administration/Solid Waste Collection Division – Management Alert Report 04-I-009, issued April 19, 2004

The team conducting a re-inspection of the Department of Public Works, Solid Waste Management Administration, Solid Waste Collection Division (SWCD) observed conditions in restroom and kitchen areas and trash collection yards that were potentially hazardous to the health and safety of SWCD employees. These conditions included restroom sinks and toilets that were inoperative; the team also found several toilets that were filled with human waste that could not be flushed. In addition, the team found that kitchen floors were dirty; fire extinguishers were not readily accessible; and there was evidence of vermin infestation. Employees had reported these problems to managers on numerous occasions, but no action had been taken.

We recommended that the Director of the Department of Public Works (D/DPW) immediately abate the unsanitary conditions in the restroom facilities; ensure that fire extinguishers are properly located and maintained; and have the kitchen areas properly cleaned and exterminated on a regular basis.

11. Department of Human Services/Youth Services Administration/Division of Court and Community Programs – Special Report, Management Alert Report 04-I-010, issued July 30, 2004

During our inspection of the Department of Human Services, Youth Services Administration (YSA), Division of Court and Community Programs, the team found that efforts to locate youth who have absconded from YSA-sponsored group and shelter homes have been minimal and ineffective, placing both the youths and the community at-large at risk. This special report produced four findings and five recommendations. The team found that since June 2001, 223 youth absconded from YSA group and shelter homes, and 69 were still listed in absconder status at the time of this July 30, 2004, report. The team also found that inaccurate risk assessments and subsequent assignments to non-secure group community facilities, ineffective monitoring of youths' movement into and out of these facilities, and deficient monitoring of youth activities outside the facilities increased the risk of abscondences. In addition, the team found that YSA employees had not been provided procedures or training to locate absconders; were not conducting field investigations to locate absconders; and there was an inadequate exchange of information or close coordination between YSA and the Metropolitan Police Department to locate absconders.

We recommended that the Administrator of YSA review the intake and placement process for community placement of youths; review security and monitoring practices in all group and shelter homes; implement written policies and procedures; provide employee training for locating youth who have absconded; and expedite drafting a Memorandum of Understanding

ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION

among all concerned agencies so that roles and responsibilities regarding locating and apprehending absconders can be clarified and implemented quickly.

12. Department of Human Services/Youth Services Administration/Division of Court and Community Programs – Report of Inspection 04-0015YS, issued September 2004

The inspection of the Department of Human Services, Youth Services Administration, Division of Court and Community Programs (DCCP) produced 19 findings and 38 recommendations. The inspection focused on management and operations of key areas, including compliance with District of Columbia Superior Court mandates, intake and court liaison services, alternative detention services, group and shelter home operations, aftercare and case management services, special residential placement, and community services. The team found deficiencies in all of these areas, deficient management oversight, a lack of written policies and procedures, and a lack of accountability for the use of some DCCP and District resources. Specifically, the team found that group and shelter homes were operating without licenses or contracts, in violation of District regulations; were not inspected and monitored effectively; and the health and safety of youth and employees in these facilities were at risk due to possible fire and building code violations.

We recommended that the Administrator of YSA provide a timetable for all group and shelter homes to be licensed; that the Inspector General's Audit Division conduct an audit of all payments for services provided by contracted group and shelter homes; and that the Administrator of YSA request an inspection of all group and shelter homes by the District of Columbia Office of Risk Management to determine whether there are health and safety hazards present, and expedite correction of any deficiencies found.

ACTIVITIES OF THE INVESTIGATIONS DIVISION

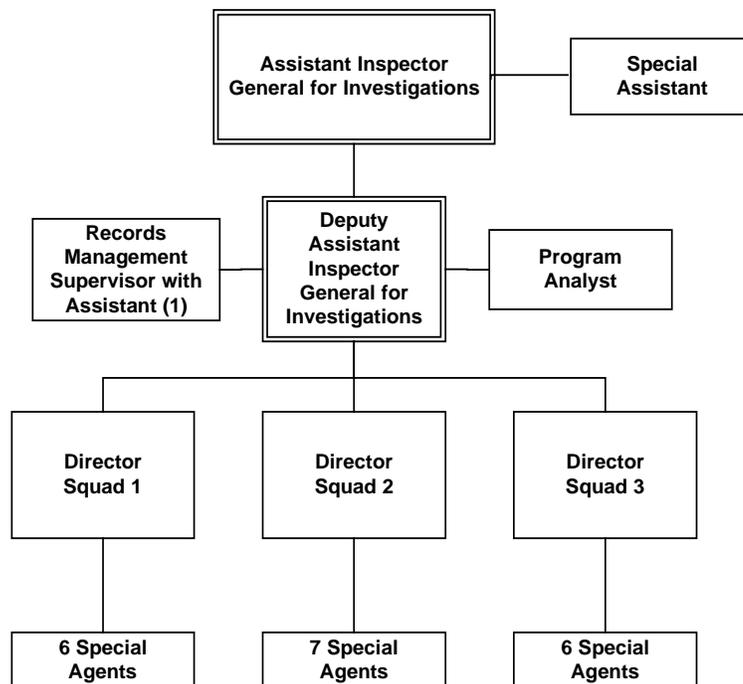


ACTIVITIES OF THE INVESTIGATIONS DIVISION

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 and three Directors. 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 provides organization and accountability to the various records systems of the OIG. This supervisor reports directly to the Deputy AIGI. The Program Specialist is responsible for the effective operation of the Hotline Program and for the Referral Program.

OIG Investigations Division September 30, 2004



The ID is comprised of 28 employees, including 5 managerial/supervisory personnel, 19 Special Agents, 1 Special Assistant, and 3 support staff members. OIG Special Agents are sworn law enforcement officers and the agency seeks to have all newly appointed investigators possess a 4-year degree from an accredited college or university. Many of our Special Agents hold advanced degrees and professional certifications. Newly hired Special Agents are required to attend and successfully complete a 10-week basic training course at the Federal Law Enforcement Training Center, Glynco, Georgia. They are also required to

ACTIVITIES OF THE INVESTIGATIONS DIVISION

meet the firearm qualification standards of both the Federal Bureau of Investigation (FBI) and the Metropolitan Police Department (MPD). ID staff includes former investigators and managers from law enforcement agencies, such as the FBI, federal OIGs, and major police departments. Special Agents are authorized to carry firearms during the performance of official duty, 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 employee conduct alleged to be violative of the Standards of Conduct. When investigative findings solely indicate non-criminal employee misconduct or management deficiencies, Reports of Investigations (ROIs) are prepared and forwarded to the responsible agency heads. 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 appropriate disciplinary action. Equally important to the investigative process, however, 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 concrete recommendations to correct the identified deficiencies, provide guidance on the applicable laws and regulations, and suggest employee training where appropriate.

When the investigative findings are indicative of criminal conduct, they are presented to either the United States Attorney's Office for the District of Columbia (USAO) or the D.C. Office of the Attorney General (OAG) for prosecutorial opinion and action. When a case is accepted by either entity for prosecutorial consideration, the investigation will proceed under the guidance and direction of the prosecutors and often in conjunction with other law enforcement partners, such as the FBI. The investigative findings are also used to determine whether civil action is appropriate in addition to or in lieu of criminal prosecution.

The Records Management 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 is also 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 Evidence. In addition, the Unit works closely with the OIG's General Counsel to identify and produce documents requested pursuant to the District of Columbia Freedom of Information Act. Consequently, the Unit is also responsible for maintaining a comprehensive database of ID investigative information and a formal case file system that allows the ID to locate all investigative information through the identity of complainants, subjects, and critical witnesses.

ACTIVITIES OF THE INVESTIGATIONS DIVISION

The Referral Program is an important adjunct to the investigative work of the ID which allows the OIG to be responsive to citizen 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. In most cases, the responsible agency head is requested to 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 inquire of District government agency heads in order to ensure that they are accountable to citizen concerns and responsive to the public interest.

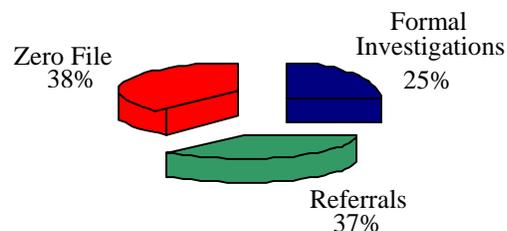
The Hotline Program is an equally important component of the ID whereby the OIG is available 24 hours a day to receive telephonic complaints from District government employees and the general public. OIG investigative personnel are on duty every working day during normal business hours to respond to telephonic complaints. All complaints received during non-business hours are recorded and an appropriate response is initiated the next workday.

PERFORMANCE MEASURES TO EVALUATE PROGRESS

Performance measures within the ID are set by the Inspector General to assess progress toward resolving identified risks. Appendix J compares actual FY 2004 performance with target goals. Appendix K reflects these same performance measures and other measures, and compares actual FY 2004 performance with performance in the previous 2 fiscal years. While these measures are termed performance measures, the OIG exerts no management control over many of the measures in that we cannot control the number or the content of the complaints we receive during the fiscal year.

INVESTIGATIVE WORKLOAD AND PRIORITIES

At the start of FY 2004, the OIG had 175 pending investigations. A total of 421 new investigative complaints were received during FY 2004. Of those 421 matters, 107 were opened as formal investigations, 154 were referred to agency heads for action, and 160 were closed without further action. The chart below reflects the proportionate resolution of investigative matters received in FY 2004.



ACTIVITIES OF THE INVESTIGATIONS DIVISION

Each Special Agent retains an average caseload of between 15 to 20 formal investigations. This is an exceptionally 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 strained investigative resources. Priority investigations include the following:

- Matters referred from the Executive Office of the Mayor (EOM), D.C. Council, and Congress.
- Allegations of serious criminal activity on the part of District government employees involving government fraud and public corruption.
- Allegations of procurement fraud that are of significant dollar value.
- Allegations of misconduct on the part of agency heads and other high-ranking executives in the District government.
- Systemic program or management deficiencies that need immediate attention and correction.

INVESTIGATIONS CLOSED

In FY 2004, the Investigations Division closed 253 investigations. Appendix L shows the details of the number of cases closed by agency. These statistics are reflective of the size of the agency, the nature of its mission, and the proportionate frequency with which the ID initiates investigations based on credible allegations of waste, fraud, and abuse.

HOTLINE USAGE

D.C. Code § 47-2881 (2001) requires the OIG to submit quarterly reports to Congress on the number and nature of calls placed to the Hotline. The OIG Hotline numbers are (202) 727-0267 and 1-800-521-1639. Approximately 4,000 Hotline calls are received every year. The OIG Hotline is used to report a wide range of matters. However, not all calls result in the OIG opening an 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 for investigation. Still other matters cannot be pursued because the OIG lacks the personnel and resources to handle the investigations.

Numerous complainants call the OIG Hotline to report that District government agencies were not responsive to their initial calls. Many of these and other inquiries were successfully redirected to a responsive District government official or resolved informally with the caller.

The OIG received a total of 162 calls on the Hotline during FY 2004 that required further action by the ID. These are further described in Appendix K. While Hotline calls represent just one of the ways in which government employees and concerned citizens provide information to the OIG, it is important to note that some of the most significant cases the

ACTIVITIES OF THE INVESTIGATIONS DIVISION

OIG investigates result from calls placed to the OIG Hotline. The OIG also receives reports of government corruption, waste, fraud, and abuse via mail, email, facsimile, in person, and by referral from other departments and agencies, the EOM, the D.C. Council, and Congress. Detailed Hotline statistics are included in Appendix M.

SUMMARY OF PROSECUTIVE 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) (2001). In FY 2004, the OIG referred 60 cases to the USAO for possible prosecution; 23 were accepted for further investigation, and in 37 cases, prosecution was declined. In addition, nine cases were presented to the D.C. Office of Attorney General for prosecution under laws within the jurisdiction of that office. The investigations conducted by the OIG (and, in some cases, in conjunction with other law enforcement agencies) resulted in 15 convictions in FY 2004. The individuals who were convicted received sentences that included imprisonment, home detention, probation, fines, and restitution.

RESTITUTIONS AND RECOVERIES

During FY 2004, individuals convicted as a result of OIG investigations were ordered to pay a total of \$4,945,973 in restitution, fines, and recoveries.

Summary of Restitution and Recoveries

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
Asset Seizure	\$205,425	\$0	\$0
Restitution/Fines/Recoveries	<u>\$669,936</u>	<u>\$350,317</u>	<u>\$4,945,973</u>
Totals	\$875,361	\$350,317	\$4,945,973

INVESTIGATIVE REPORTS

The OIG issued eight investigative reports (ROIs) in FY 2004. Formal ROIs are issued at the conclusion of significant investigations of misconduct, waste, fraud, and abuse. In cases where the allegations are substantiated, the ROIs recommend disciplinary and/or remedial action where appropriate. These ROIs are then distributed to responsible District government agency heads, with executive summaries distributed to the Mayor, D.C. Council members, and, where necessary, to Congressional oversight committees.

In addition, the ID prepares a variety of other investigative reports to respond to more immediate problems. Management Alert Reports (MARs) are issued to particular District government agency heads to alert them to an issue uncovered during the course of an ID investigation that requires immediate attention. For example, in FY 2004 the ID issued a

ACTIVITIES OF THE INVESTIGATIONS DIVISION

MAR to alert the Chief Procurement Officer to inadequate property controls and deficient record keeping in the Personal Property Division, Office of Contracting and Procurement.

Management Implication Reports (MIRs) are issued to numerous agency heads to alert them to issues or problems that affect more than one agency. Fraud Alert Reports (FARs) are issued to agency heads as notification of particular criminal schemes. No MIRs or FARs were issued to agency heads during FY 2004.

Finally, the ID issued numerous Significant Activity Reports during FY 2004 to notify the Mayor and affected agency heads of criminal prosecutions and convictions of District government employees and contractors.

SIGNIFICANT INVESTIGATIONS

Federal Bribery Convictions of Department of Public Works Employees

As a result of a joint OIG/FBI investigation, three Department of Public Works (DPW) employees were arrested and indicted on federal charges. All were employed in the Vehicle Immobilization Branch and were charged with seven counts of conspiracy and receiving bribes. The employees solicited and accepted cash payments from persons whose vehicles were boot-eligible in exchange for not booting the vehicles or removing boots that had already been in place. The investigation included several undercover operations and witness interviews. From an unknown date through January 2003, the employees accepted cash payments totaling, collectively, between \$5,000 and \$10,000. All three plead guilty to conspiracy to commit bribery and were sentenced in May 2004. Two employees were sentenced to 5 months incarceration and 3 years supervised release. The third employee was sentenced to 5 months incarceration and 2 years supervised release. The three employees were terminated from their DPW positions as a result of their convictions.

Federal Bribery Convictions of Parking Enforcement Officers

In another joint OIG/FBI investigation, two District of Columbia Parking Enforcement Officers in the Department of Public Works (DPW) were charged with soliciting cash payments in exchange for voiding parking tickets already written or for overlooking parking charges. The investigation involved undercover operations and witness interviews. Both DPW employees were convicted of bribery. The first was sentenced to 6 months of home detention, \$200 restitution to the DPW, and 100 hours of community service. The second DPW employee, who was also convicted of bribery, is awaiting sentencing.

Co-Conspirator of Former Bureau of Traffic Adjudication Employee Sentenced on Federal Bribery Charges in Connection with a Ticket-Fixing Scheme

An OIG/FBI investigation resulted in indictments and arrests of a District of Columbia Office of the Chief Financial Officer (CFO) employee who was assigned to the Department

ACTIVITIES OF THE INVESTIGATIONS DIVISION

of Motor Vehicles (DMV) and a civilian “go-between” on federal bribery charges. The charges involved a ticket-fixing scheme at the Department of Motor Vehicles (DMV), Traffic Adjudication Services Branch where the employee manipulated the DMV computer system to clear out unpaid fines in exchange for cash. The civilian would seek out customers outside the DMV, and offer to take customers’ cash payments into the DMV to clear unpaid fines at a reduced amount. The civilian would bring the cash to the DMV employee who would split the money with the civilian and clear the tickets in the DMV computer. However, the District of Columbia never received the money for these fines. As a result, the District government lost between \$200,000 and \$400,000 in revenue. Both co-conspirators plead guilty and agreed to pay restitution of \$200,000 each to the District government. The civilian was sentenced to a term of 46 months in prison, to be followed by 3 years of supervised release. The District employee is awaiting sentencing.

Three Arrested in a Scheme to Sell Driver’s Licenses in Fraudulent Names from the Department of Motor Vehicles

A joint investigation (OIG/FBI/CFO) resulted in the arrest of a CFO employee and two civilians for a bribery scheme which took place at the Department of Motor Vehicles (DMV), Georgetown Park Branch. The employee, who was assigned as a teller for DMV, provided driver’s licenses in fraudulent names to individuals who were recruited by the two civilians. The civilians would arrange to meet with individuals who would pay between \$1,500 and \$1,800 for fraudulent driver’s licenses. The civilians would then escort the individuals to meet with the District employee who processed the licenses in exchange for cash payments. The District employee was charged with bribery, while the two civilians were charged with aiding and abetting the receipt of a bribe by a public official. All three face up to 15 years in prison.

Earlier in the investigation, another DMV employee was arrested from the Georgetown Park Branch for providing driver’s licenses in fraudulent names in exchange for cash payments. This employee was sentenced to 6 months of incarceration, and 6 months of home detention.

This joint investigation into corruption at the DMV is continuing, and to date has resulted in more than 30 DMV and CFO employees being removed from service with the District government, with approximately 10 employees already indicted or pending indictment.

Investigation Concerning the Publication of the June 4, 2004, Supplement of the District of Columbia Register

The General Counsel of the D.C. Board of Elections and Ethics (BOEE) requested an OIG investigation concerning the publication of a supplement to the June 4, 2004, edition of the *D.C. Register*. The supplement was published as part of the process for determining whether District voters would be presented with an initiative on the November 2004 ballot to legalize video lottery terminals. The investigation disclosed that a representative of the initiative’s proponents facilitated the publication of the June 4 supplement by duplicating and mailing

ACTIVITIES OF THE INVESTIGATIONS DIVISION

the supplement, and by paying for the costs of duplication and postage. Moreover, the Editor of the *D.C. Register*, who is an employee of the District of Columbia Office of Documents and Administrative Issuances (ODAI), allowed the representative of the initiative's proponents to provide these services without informing or obtaining permission from her supervisor, the Administrator, ODAI.

The investigation determined that an ODAI employee violated the District's Standards of Conduct, as well as internal office procedures in accepting the assistance of the initiative proponents in publishing the supplement and in failing to obtain the approval of the Administrator, ODAI, prior to publication. In addition, the ODAI employee violated the requirements of Mayor's Memorandum 2002-1, by ignoring or failing to recognize the need to seek review and approval of a private donation.

The investigation further determined that a senior BOEE official was aware of the plan to utilize voluntary services of the proponent for video slots to publish the supplement to the *D.C. Register* that would keep the proposal alive. This official also knew, or should have known from the available facts, that the supplement would be funded by the proponent. With this knowledge, the opportunity existed for that official to ensure that the donations were reviewed and approved as required by Mayor's Memorandum 2002-1. Instead, there was a failure to object to the unauthorized donations of services and funds or, in the alternative, to provide advice concerning the review process prescribed by District regulations. The investigation concluded that there was an inexplicable lack of initiative in providing guidance concerning private party donations. That omission reflected poorly on the effectiveness of BOEE, an agency entrusted with oversight responsibilities of the District's ethical standards.

Credit Card Fraud by a D.C. Department of Human Services Employee

An investigation was initiated after a review by the D.C. Department of Human Services (DHS) disclosed that a DHS employee made questionable government credit card purchases. The OIG investigation disclosed that the employee made improper credit card charges in the amount of \$9,835 for personal use. The employee admitted making the improper charges, resigned from DHS, and agreed to repay the money. Insofar as the employee resigned and agreed to repay the \$9,835, the USAO and the D.C. Office of the Attorney General declined further action.

Employee Accepted Payments from District Government Vendors

The OIG conducted an investigation based on a referral from the D.C. Department of Health (DOH) that an employee received monetary rewards from District government vendors for generating business. The employee owned a personal website which he directed agency employees to utilize when purchasing agency supplies and equipment. Consequently, the employee received a percentage share of the orders placed on the website. The investigation corroborated that the employee earned \$416.00 from one vendor and \$436.45 from another, all of which was attributed to DOH business using the office credit card. As a result of the OIG

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investigation, the employee was terminated. The case was presented to the USAO which declined prosecution.

Conflict of Interest by a D.C. Water and Sewer Authority Employee

An investigation by the OIG found that a D.C. Water and Sewer Authority (WASA) employee recommended that a contractor use the services of her husband on a contract on which she participated as a WASA employee. Thereafter, the contractor hired the employee's husband as a subcontractor. In addition, the OIG investigation disclosed that the WASA employee had a criminal conviction that she failed to report on her D.C. government and WASA employment applications. As a result of the investigation, the employee resigned from WASA.

Review of D.C Government Purchase Card Usage

In response to a preliminary review of D.C government purchase card usage by the Office of the Chief Financial Officer (OCFO), which showed that many purchases lacked the required documentation, the OIG reviewed all unsupported transactions of \$10,000 or more by D.C. government purchase card holders. The purpose of this review was to identify possible fraudulent transactions and transactions that did not appear to support the mission of the agencies involved.

The OIG examined credit card transactions for 14 purchase card holders, with unsupported purchases in excess of \$800,000. The OIG sought to obtain supporting documentation for a sample of approximately 70% of the transactions in question. The majority of the supporting documentation was obtained from the approving officials for the transactions, who had not forwarded the documentation to the Associate Chief Financial Officers, as required. In other instances, the OIG obtained the supporting documentation from the vendors who were associated with the charges. The OIG also conducted follow-up interviews with a number of the purchase cardholders. Based on the investigation, no fraudulent purchases with respect to the 14 purchase cardholders were revealed, and this investigation was closed.

Theft of District Funds by an Employee in the Office of the Chief Financial Officer

The OIG investigated an allegation that an employee in the OCFO embezzled funds with an agency credit card for which she had signature authority. The employee confessed to using the card improperly to purchase \$11,649.54 worth of office supplies. Although the supplies were ostensibly for use by agency personnel, the employee kept all of the supplies. Ultimately, the employee returned \$7,371.38 worth of supplies to the agency, but then refused to cooperate further. As a result of the OIG investigation, the employee was terminated, a default judgment was entered against her in D.C. Superior Court for the balance of \$4,278.16, and the OCFO instituted new policies and procedures for granting credit card authorizations and reviewing purchases.

ACTIVITIES OF THE INVESTIGATIONS DIVISION

Former Department of Human Services Employee Convicted and Sentenced on Federal Conspiracy and Wire Fraud Charges

A former DHS employee and a co-conspirator were convicted in U.S. District Court of wire fraud and conspiracy for devising a scheme to defraud finance companies in the factoring business. The conviction followed a lengthy OIG/FBI investigation which disclosed that the former employee used her government telephone to verify false information regarding a fake government contract in an attempt to receive short-term commercial loans based on non-existent accounts receivable. The former DHS employee was initially tried and convicted, but the verdict was set aside when the judge declared a mistrial because non-evidentiary material was mistakenly sent to the jury room during deliberations. The case was retried, and the former DHS employee was convicted again. In May 2004, the co-conspirator was sentenced to 5 years probation and ordered to pay \$83,740 in restitution. In July 2004, the former DHS employee was sentenced to concurrent prison terms of 27 months on each count, and ordered to pay \$83,740 in restitution.

Former Department of Consumer and Regulatory Affairs Employee Convicted and Sentenced for Bribery

A joint investigation by the OIG and the USAO resulted in the indictment of a former Department of Consumer and Regulatory Affairs (DCRA) employee for accepting bribes to renew and reinstate corporate registrations of various fictitious corporations. The employee's accomplice used the fictitious corporations as part of a scheme to circumvent immigration laws so that non-citizens could obtain immigration documents to work in the United States. The former DCRA employee was convicted after a jury trial in U.S. District Court, and was sentenced to 3 years in prison, fined \$7,500, and ordered to pay \$3,215 in restitution.

Department of Human Services Employee Terminated for Submitting False Information on District Employment Application

An OIG investigation disclosed that a DHS employee submitted false information on his 2000 employment application. The application indicated that the employee had not been convicted of a felony in the past 10 years. However, relevant documentation and the employee's admission to OIG investigators established that the employee had been convicted of involuntary manslaughter, a felony, within 10 years of submitting his application. The employee was terminated based on the OIG investigation.

Falsification of Documents by a State Education Office (SEO) Employee

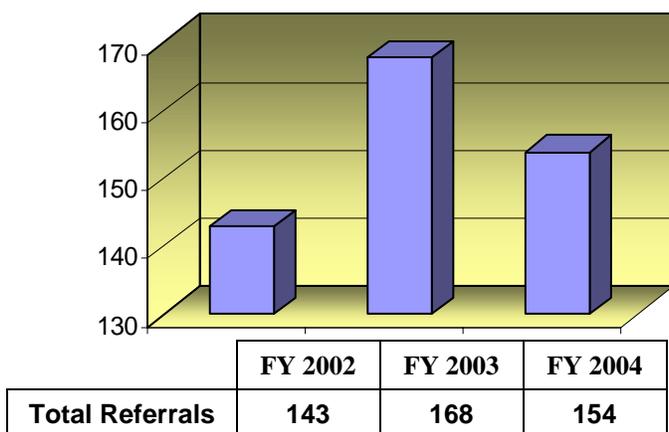
An OIG investigation established that an SEO employee falsified a receipt for training expenses, and submitted the receipt in support of a voucher seeking reimbursement. As a result of the investigation, the employee was terminated from District employment.

ACTIVITIES OF THE INVESTIGATIONS DIVISION

REFERRALS

The OIG frequently refers to other departments and agencies administrative matters that can best be addressed by those agencies or due to jurisdictional issues. For example, issues involving the electoral process are referred to the Office of Campaign Finance (OCF), Hatch Act allegations are referred to the U.S. Office of Special Counsel (OSC), and EEO-related complaints are referred to the Office of Human Rights. In addition, the OIG is a party to 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 on the part of the MPD employees are referred to the MPD's Office of Professional Responsibility.

In most cases, the OIG monitors the responses to these referrals to ensure that the matters are handled appropriately. 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 2004, the OIG referred a total of 154 matters to other District agencies. The details of these referrals are included in Exhibit N.



SIGNIFICANT RESULTS FROM THE REFERRAL PROGRAM

The following are examples of significant outcomes for referrals sent to agency heads during FY 2004. Further details of FY 2004 Referral Resolutions are included in Appendix O.

Case 1: This referral to the Department of Public Works (DPW) was made in FY 2003, but resolved in FY 2004. It was predicated on a substantiated report from the MPD that one of its officers had prepared false information on a form regarding a stolen vehicle. The MPD report also noted an unexplained failure by DPW personnel to notify the owner of the stolen vehicle that it had been recovered, towed to the DPW impound lot, and sold at auction.

ACTIVITIES OF THE INVESTIGATIONS DIVISION

DPW is responsible neither for towing recovered vehicles nor for notifying vehicle owners that the vehicles have been recovered; both are MPD functions. However, DPW officials acknowledged a procedural failure: the vehicle's Vehicle Identification Number (VIN) should have been run through the Washington Area Law Enforcement System (WALES) and a certified letter should have been sent to notify the registered owner that the vehicle had been impounded and would be sold at auction in 45 days if not retrieved. The procedure was not followed; MPD was not notified so that MPD could notify the owner; and when the vehicle was towed, its VIN was not run through WALES. The complainant's vehicle should have been listed as "recovered," however, it was not. Recognizing error on their part, DPW agreed to pay the complainant the Blue Book value of her vehicle, \$1,775. Also, DPW officials planned to address these issues with the staff assigned to the Abandoned and Junk Vehicle Division.

Case 2: This referral to the DHS was made in FY 2003, but resolved in FY 2004. It was alleged that the Youth Services Administration is understaffed, and that the agency's time and attendance recordkeeping is poor. The agency's review substantiated the allegations, but found the problems to be the result of sloppiness and oversight, not of intentional fraud.

Case 3: This referral to the Department of Employment Services (DOES) involved a DOES employee who facilitated an insurance fraud. An insurance company was under contract to pay a citizen's minimum credit card balance monthly on two credit cards so long as she was unemployed. However, the citizen was not unemployed, but for 26 months she monthly applied to DOES for unemployment insurance compensation, and had her insurance form stamped and signed by a DOES employee. Although she never followed-up on her unemployment insurance compensation claim, she submitted her stamped and signed form to her insurance company as "evidence" of her continued unemployment.

The subject pled guilty to a \$14,749.30 wire fraud in U.S. District Court, and the OIG alerted DOES to the role the insurance forms had played in the fraud. DOES has since provided instruction to all of its employees to ensure that they are familiar with the procedures and regulations controlling unemployment insurance compensation claims. Group discussion sessions were held to ensure that DOES employees do not complete private insurance company forms, as the agency has no factual data to confirm unemployment.

Case 4: This referral to the D.C. Office of Personnel involved an allegation that a D.C. government employee violated the terms of a 5-year residency restriction requiring her to remain a District of Columbia resident until March 2006, in that she was alleged to have moved to Maryland. The subject admitted to moving to Maryland, but claimed not to have been aware that the residency restriction extended to March 2006. A show cause hearing was recommended, and the subject expressed willingness to comply with recommendations to rectify the situation.

ACTIVITIES OF THE INVESTIGATIONS DIVISION

Case 5: This referral to the D.C. Public Schools (DCPS) involved an allegation that a DCPS employee diverted DCPS accounts payable funds to pay her personal health insurance premiums, with her manager's complicity. The agency's review indicated that the subject missed the period during which she could apply for health insurance as a new D.C. government employee. She appealed; however, her appeal failed. She asked the DCPS Chief Financial Officer for reimbursement of her health insurance premiums. The Chief Financial Officer was a new employee himself, and he approved her request without realizing the impropriety involved. As a result of this referral, the subject was required to repay \$566.

Case 6: This referral to the DHS involved an allegation that an individual falsely received public assistance benefits from the District government in part through a false claim of unemployment. DHS established that the subject failed to report her employment and income from a private company in a timely manner, resulting in an overpayment to the subject. The case was referred to the Office of the Attorney General for possible criminal prosecution.

Case 7: This referral to the Department of Employment Services involved an allegation that the subject collected unemployment insurance compensation benefits from the District of Columbia through a false claim of unemployment. The allegation was substantiated, and efforts to re-coup the \$7,107 fraudulently collected by the subject are underway. At the time of the agency's initial response to our referral, \$460 had been recovered and an administrative penalty was levied barring the subject for 1 year from receiving any other unemployment insurance compensation benefits.

Case 8: This referral to DCPS involved allegations that monies raised through various fundraisers at a particular school were not directed toward the intended activities, and that parent demands for an accounting of the expenditure of the funds had been ignored. DCPS responded that school fundraising events are not required to be in aid of specific announced activities, nor is the level of fiscal accounting demanded by the parents required of the school's principal. However, an audit of the school's Student Activity Funds account will be conducted, and the policy regarding disclosure of financial information to parents and other concerned parties will be reviewed.

Case 9: This referral to DCPS involved an allegation that a subject misappropriated school property, including a van, a camera, and disc jockey equipment, to their personal use. It was also alleged that the subject falsified their time and attendance records, and that supervisors were aware of these abuses but took no action. DCPS's response explained that although there was no evidence that the subject had misappropriated any of the school's equipment, nevertheless a log sheet will be established to ensure that those using Athletic Department vehicles sign them in and out. Additionally, DCPS has requested that the department catalogue all photographic and electronic equipment and secure it in a central and secure location. DCPS found no evidence that the subject falsified time and attendance records.

ACTIVITIES OF THE INVESTIGATIONS DIVISION

Case 10: This referral to DCRA involved an allegation that only \$12.10 of \$348.75 that should have been in an imprest fund safe was actually there, and that one of the fund's custodians had the balance in their personal possession. DCRA's review revealed a number of procedural violations, including failures: 1) to obtain authorized signatures for imprest fund disbursements; 2) to perform monthly imprest fund reconciliations and replenishments; 3) to secure the fund in a safe or lockbox at all times; and 4) on the part of the imprest fund custodian, to turn over the balance of the imprest fund to OCFO staff in a timely manner. As a result of the agency's review of this allegation, the imprest fund was eliminated, and the balance of the funds has been recovered. DCRA did not take disciplinary action against the fund's custodian for these failures.

Case 11: This referral to DHS involved allegations that two subjects, without authorization, transferred government property to several unauthorized and unknown individuals. The agency was unable to substantiate any of the allegations, but the review resulted in strengthening internal controls over government property.

Case 12: This referral to DPW involved an allegation that a subject made inappropriate personal use of one or more agency vehicles. Although the agency was unable to substantiate this allegation, nevertheless it took the following actions:

- Supervisors will ensure that all employees are aware of the consequences for misuse of the government equipment;
- The lock will be changed on the fence located at 200 Bryant Street, and the keys will be placed in a secure location;
- Supervisors will ensure that mileage is being properly tracked on all vehicles;
- Supervisors will better monitor the employees to ensure that the District's equipment is utilized only to perform government business; and
- Supervisors were directed to ensure that all vehicles are on the property at the end and beginning of each day.

Case 13: This referral to the DCPS involved an allegation that a charter school had received a package of six computers from the DCPS Office of Federal Grants Program, but that one of the boxes contained only a hard drive without any of the standard auxiliary equipment (e.g., keyboard). The box also contained papers containing inappropriate personal information (e.g., social security number) concerning one or more DCPS employees. The complainant was concerned about a possible misuse of funds in purchasing the computers. The agency's review of this allegation showed that the wrong box had been picked up from a storage room, and the correct computer was delivered to the charter school shortly after the error was reported. DCPS determined that disciplinary action was not warranted, and that controls for property were adequate. The DCPS Office of Compliance was asked to review the property controls to determine whether additional controls were necessary to prevent a recurrence of the error.

ACTIVITIES OF THE INVESTIGATIONS DIVISION

Case 14: This referral to DMV involved an allegation that a citizen who paid a parking ticket in full nevertheless received a duplicate parking ticket some time later. The agency was unable to confirm whether the complainant received a duplicate ticket; however, this is the responsibility of the Department of Public Works. The agency did note that the ticket was dismissed and that a notice of this action would be sent to the complainant.

Case 15: This referral to the OCFO involved an allegation that an out-of-state Special Administrator for the estate of a decedent had been unable to obtain from the District of Columbia Unclaimed Property Unit a bond that had belonged to the decedent. The agency responded that the complainant was under the mistaken apprehension that the District of Columbia government was requiring the original issuer of the missing bond to re-issue it, which it will not do. The agency contacted the complainant, explained that re-issuance is not necessary, and that a separate procedure, involving an indemnity bond, is available. Agency and complainant are working together to resolve the matter.

Case 16: This referral to the Deputy Mayor for Planning and Economic Development involved an allegation that three contract employees of the Home Again Program were working without contracts and being paid from capital funds. The allegation also claimed that Program officials were abusing their small purchase authority to avoid review on purchases exceeding a \$25,000 cap and were improperly sole-sourcing contracts.

The agency's review indicated the following:

- Administrative oversight resulted in the pre-existing but expired contracts for the three named individuals not being updated. The scope of work for those three employees did not change each year, and the funds were simply encumbered anew. Beginning in FY 2005 agency officials will begin processing their purchase orders through the PASS system to prevent this oversight from occurring again.
- The three employees were paid from capital funds, but OCFO determined that the payments were proper.
- There is no evidence that any contract above the \$25,000 limit was sole-sourced.



**ACTIVITIES OF
THE MEDICAID FRAUD CONTROL UNIT**

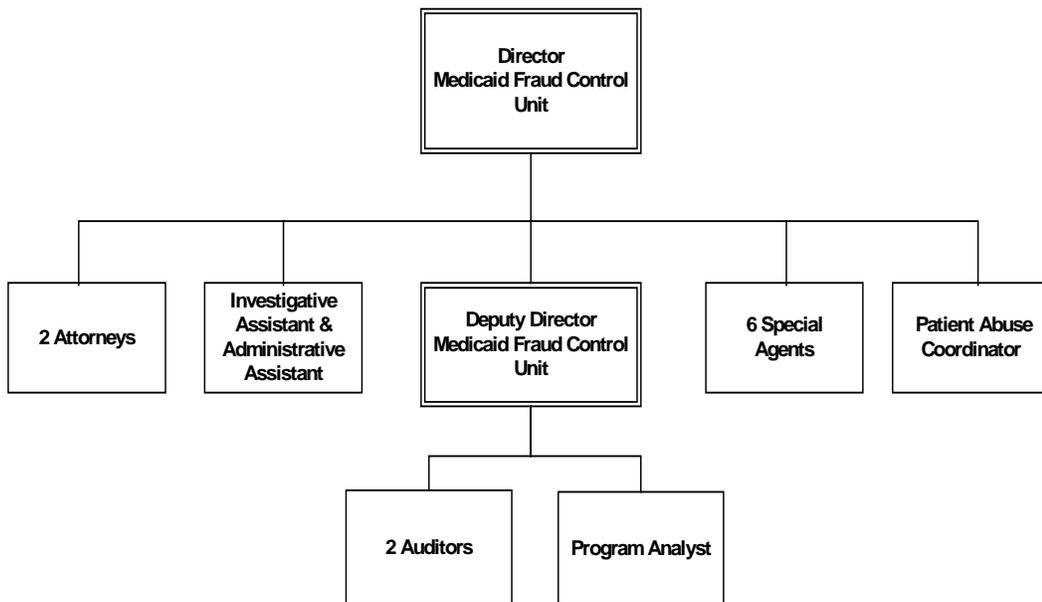


ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT

ORGANIZATION

FY 2004 marked the fifth year of existence for the Medicaid Fraud Control Unit (MFCU), the newest of the four divisions within the OIG. The United States Department of Health and Human Services (HHS) certified the MFCU on March 1, 2000, and FY 2004 was the fourth year in which the Unit was fully staffed and completely operational. The MFCU's goal is to investigate and prosecute cases of fraud and abuse within the Medicaid program for the District of Columbia. Managed by a Director, the 16 members of the MFCU bring a variety of skills and experience to the task. Of particular value is the health-care industry background that members possess, including hospital billing, health-care accounting, and insurance experience. The current Director, appointed in FY 2004, formerly worked as a Registered Nurse in long term care and community health agencies and was a state prosecutor before joining the MFCU as Deputy Director in FY 2003. The Deputy Director, who joined the staff in late FY 2004, worked for another large metropolitan area MFCU and has been a psychiatric Social Worker.

OIG Medicaid Fraud Control Unit September 30, 2004



The MFCU is organized in a “strike force” fashion with prosecutors leading teams generally composed of investigators and auditors. This method of organization presents significant advantages, in that attorneys are able to provide legal analysis from the very beginning of each case and are familiar with the case long before it results in litigation. Attorneys in the MFCU are sworn Special Assistant United States Attorneys and as such are able to represent the OIG in the Superior and District courts on matters investigated by Special Agents in the

ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT

MFCU. MFCU attorneys work in a cooperative manner with their colleagues in the United States Attorney's Office for the District of Columbia (USAO) to present cases to Grand and petit juries and to act as co-counsel during all phases of civil and criminal litigation on matters initiated by the MFCU.

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. Both of these areas entail investigations, litigation, outreach, and legislative components.

The Unit is 1 of 49 certified Medicaid Fraud Control Units nationwide. As such, the MFCU receives 75 percent of its funding in the form of a grant from the HHS Office of Inspector General. In order to remain eligible for these yearly grants, the MFCU must conform to a number of federal requirements described in the Code of Federal Regulations. The MFCU's policies, staffing, case management, and operations are inspected 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 in federal and District tax dollars.

ANTI-FRAUD EFFORTS

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. Investigations ongoing in a number of significant matters involve allegations of fraud committed by a broad range of health care providers, ranging from nationally known institutions to solo practitioners. Medical care professionals and organizations involved in our cases include physicians, dentists, pharmacies, medical equipment suppliers, mental health clinics, nursing homes, and transportation providers. Investigations can lead to the filing of criminal, civil, and/or administrative charges. In fact, whenever appropriate, we consider 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 taken from the Medicaid program. Although health care fraud cases frequently 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 for prosecution or other resolution, and many of those matters will be resolved in FY 2005. Currently, the MFCU is working on 80 matters involving allegations of provider fraud, 44 of which were initiated in FY 2004.

In July 2004, the MFCU and the USAO resolved a fraud matter, *United States v. Worsley*. United States District Court Judge Paul L. Friedman sentenced the defendant, a dentist who admitted to billing for dental services that she did not provide, to 2 years of probation on 1

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count of health care fraud. In her guilty plea in April, the defendant admitted that she had been a dentist in the District of Columbia and provided services to District of Columbia residents who were eligible for care under the D.C. Medicaid program. The defendant was a participating provider in a number of dental care programs, including a dental maintenance organization that serviced District of Columbia Medicaid recipients. Although the defendant primarily was paid a fixed fee for providing routine services to her patients, she was entitled to supplemental reimbursement for providing more invasive procedures. Among the invasive procedures for which she was paid a supplemental fee were the performance of pulpal therapies, which are similar to root canals, and also the insertion of stainless steel crowns. The defendant acknowledged in her guilty plea that she had billed for pulpal therapies and stainless steel crown procedures on at least 60 patients when, in fact, she had not performed those procedures. As a result of the defendant's billing for services that were not rendered, she received \$15,374.00 in reimbursement to which she was not entitled. As part of her guilty plea, the defendant paid restitution in this amount. In addition to probation, the defendant was ordered to undergo evaluation and treatment for drug abuse.

The Unit also engaged in anti-fraud educational and outreach presentations in the private sector. We spoke to health-care providers, industry, and senior citizen groups throughout the District to introduce the MCFU, make formal presentations, and answer questions. Moreover, we work closely with industry groups on problems of mutual concern. Similarly, the MFCU continues to cooperate closely with other District and federal law enforcement agencies in the investigation and prosecution of fraud cases. In particular, the Unit is working on a number of ongoing investigations with the FBI, the HHS Office of Inspector General and/or the Social Security Administration Office of the Inspector General. The Metropolitan Police Department continues to provide invaluable assistance to the MFCU in a number of ways. We are an active participant in the Department of Justice health care fraud task force for the District of Columbia.

MFCU staff participate as members in other anti-fraud organizations such as the National Health Care Anti-Fraud Association, the Association of Certified Fraud Examiners, the National Association of Drug Diversion Investigators, and the Security Association of Financial Institutions. 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 or arenas. In addition, memberships in professional organizations enhance the MFCU's visibility in the investigative and law enforcement communities which, in turn, increases the number of cases referred to the MFCU for investigation. The MFCU is involved in national anti-fraud efforts as well. It is a member of the National Association of Medicaid Fraud Control Units (NAMFCU) and regularly coordinates with its counterparts in 49 states, sharing information, strategies, and cooperating in multi-jurisdictional matters. Another important aspect of the MFCU's involvement in national health care fraud activities is our participation in global settlements. On occasion, health care providers engage in similar fraudulent activities and schemes in multiple states. The Unit has joined with other MFCUs, under the auspices of the NAMFCU, to investigate more efficiently and effectively to resolve cases of this nature. The use of multi-state teams representing the interests of all

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aggrieved states allows the District to recoup monies without each state duplicating the efforts of the others. In FY 2004, the MFCU received over \$1.2 million in settlement of global cases. The Unit continues to participate in multiple global settlement negotiations and anticipates receiving significant monetary settlements in FY 2005 from such matters.

PATIENT ABUSE

A vital aspect of the MFCU's work is in the area of abuse and neglect. The MFCU has jurisdiction to investigate and prosecute cases of abuse and neglect in hospitals, nursing homes, group homes for citizens with mental retardation and mental illness, and board and care facilities. Cases of physical abuse generally involve an intentional assault on a person. In contrast, neglect cases typically focus on inadequate care rendered to the person, including substandard medical care, poor nutrition or sanitation, or a failure to properly supervise living conditions.

The District of Columbia has one of the most progressive laws in the nation regarding the abuse of vulnerable adults. The 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 abuse by assault or threats of assault, verbal harassment, or involuntary confinement. Neglect that now constitutes criminal behavior includes the failure to provide the care necessary to maintain the physical and mental health of a vulnerable adult. This law expands the prosecution options available in abuse cases and allows for filing charges specifically targeted at this type of abusive behavior. The MFCU utilizes this law whenever appropriate.

Abuse cases are among the most disturbing matters handled by the MFCU. These cases are generally assigned personnel with a specialized background who can handle them in a diligent and expeditious, yet sensitive, manner. They require investigators and prosecutors to sort through voluminous medical records and documents, while often working with emotional and distressed persons, their families, and medical staff. The victims in these cases are among the most vulnerable of our citizens, those who are dependent on others for their care and safety. In addition, such investigations can be challenging because the same mental limitations that make the victims vulnerable can limit their ability to assist authorities. Allegations of abuse must be reported and investigated quickly and thoroughly before recollections and evidence disappear.

FY 2004 began with an important milestone: the MFCU obtained its first conviction of a sexual assault matter in *United States v. Herring*. In that case, the defendant was a caregiver in a group home for mentally retarded citizens when he sexually abused one of the residents under his care. Upon receiving an unusual incident report describing potential sexual abuse by the defendant, the MFCU quickly initiated an investigation and contacted the Sexual Abuse Unit at the Metropolitan Police Department. Partnering with the Department of Human Services, we confirmed the allegation and obtained a confession from the defendant. The defendant plead guilty to First Degree Sexual Assault of a Ward in District of

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Columbia Superior Court and was immediately detained without bond. He was sentenced on January 2, 2004, in D.C. Superior Court. In addition to a sentence of 2 years in prison and 3 years of supervised release, the judge ordered the defendant to register as a sex offender for 10 years and prohibited him from working as a caregiver for children or for people 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 one-on-one. After trial, he was found guilty of assaulting the vulnerable young man. He was sentenced in D.C. Superior Court to a 120-day term of imprisonment followed by a 2-year period of probation during which he will be required to complete 200 hours of community service (in a setting without children or vulnerable adults), submit to drug testing and drug treatment, stay away from the victim and the group home where he resides, and complete anger management and sensitivity training courses.

In yet another case involving vulnerable victims, *United States v. Woolen*, the defendant entered a plea of guilty before a Senior Judge in D.C. Superior Court to two counts of assaulting residents of a group home for mentally retarded individuals. Pursuant to the plea, the defendant was sentenced to suspended 180-day terms of imprisonment on each count along with a 1-year period of probation during which he will be required to complete 100 hours of community service (in a setting without children or vulnerable adults), comply with drug testing and drug treatment, stay away from the group home, and pay \$100 to the Victim's Crime Fund.

Prosecution of these cases, subsequent press and media attention, and discussions 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.

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 2004, more than 2,200 unusual incident reports were received, ranging from reports of changes in medical conditions of nursing home residents, to reports of alleged assaults of residents by employees of the facilities. The unusual incident reports allow the MFCU's investigative specialists to commence their investigations with little delay. 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 their residents. The Patient Abuse Coordinator and

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Director receive frequent requests for information and training on abuse and neglect, and have given presentations to local health care organizations regarding reporting and investigation of crimes against this vulnerable population.

GOVERNMENTAL LIAISON

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 Medicaid Assistance Administration (MAA) of the District's Department of Health. This partnership with MAA includes, among other things, discussions and meetings to review particular cases and projects. The Unit most frequently interacts with MAA's Surveillance and Utilization Review Unit (SUR). We have provided MAA with frank and substantive suggestions to maximize the productivity of both the SUR and the MFCU in the future. As an example of systemic improvements in our operations, the MFCU now has limited direct online access to Medicaid claims information regarding individual cases, which allows the Unit to instantly verify the status of health care providers. With greater access to this information, investigations can proceed more efficiently, with fewer burdens on both MAA and MFCU personnel.

During FY 2004, 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 at least one training conference related to their particular profession. Conferences attended included Introductory and Advanced Medicaid Fraud, Drug Diversion in Health Care, and Provider Health Care Fraud Schemes. In addition, the MFCU organized several training programs at the OIG offices, opening them to staff in the District law enforcement community, thus enabling interaction and networking between agencies. These programs included such topics as Crime Scene Assessment and Evaluation, Forensic Photography, and Investigative Interviewing. MFCU staff also lent their expertise to both local and national groups. For example, one MFCU staff attorney participated in a panel presentation on "Kickbacks and Self-Referrals" at the American Bar Association Annual Conference on Health Care Fraud.

The MFCU also works closely with the Metropolitan Police Department in this area and coordinates our efforts so as to avoid duplication. Similarly, we frequently collaborate with the Department of Human Services in our investigations of potential abuse or neglect in group homes for persons with mental retardation. In the fraud area, we established a working relationship with the District's Department of Insurance and Securities Regulation (DISR), which is responsible for regulating the managed care organizations that provide a significant portion of the health care rendered under the Medicaid program. We anticipate significant mutual benefits to flow from this relationship, and have received promising referrals from DISR.

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SUMMARY OF MANAGEMENT ALERT REPORTS ISSUED

The MFCU periodically issues Management Alert Reports (MARs) to District agencies that are involved with the Medicaid program. These reports are based on problems or weaknesses in the Medicaid program as viewed from the perspective of the MFCU. The Unit issued two MARs in FY 2004. The following is a brief description of the problems and suggested corrective steps provided for consideration in each MAR.

Management Alert Report Regarding Claims filed by Durable Medical Equipment Providers, MAR No. 03-M-02, November 10, 2003

This MAR was issued to the Medical Assistance Administration (MAA) and suggested that MAA work closely with the fiscal intermediary for the District's Medicaid program, ACS, to enhance MAA's ability to target claims filed by durable medical equipment (DME) providers for initial claims history review, and to allow for delayed payment of claims where there is suspected fraudulent billings by a provider. Experience gained during an investigation indicated that the Medicaid program generally lacked the capability to obtain valuable information about the claims history of DME providers suspected of filing false billings for reimbursement. This had a direct, adverse impact on the program's ability to detect and prevent monetary losses arising from fraudulent claims. The MAR recommended that ACS develop a claims processing program which would allow two separate and distinct claims review procedures. This would provide a focused review of Medicaid claims to determine threshold information regarding the billing patterns of a DME supplier and to allow further investigation of claims, as necessary, prior to payment. A MFCU attorney, author of the MAR, discussed the recommendations with a representative from MAA, who reported that the fiscal intermediary currently has in place the capability to identify claims filed for DME by billing code for further investigation. Additionally, the intermediary has the capability to "pend" claims prior to payment where the claim's validity is questioned.

Management Alert Report Regarding Operations of Free Standing Mental Health Clinics, MAR No. 04-M-01, issued June 9, 2004

This MAR recommended that the MAA work closely with the Department of Mental Health (DMH) in auditing Free Standing Mental Health Clinics to address certain deficiencies in the operation of those clinics. An investigation into Free Standing Mental Health Clinics (FSMHCs) by the MFCU determined that certain billing, documentation, and supervision practices failed to conform to District regulations. These failures were considered in part due to the lack of a person clearly designated as the administrator for the clinic, who, as required by regulation, performed in that capacity as a full-time official. On June 30, 2004, the Interim Director of the Department of Health, responded to this MAR, indicating that because DMH had been delegated the responsibility for issuance of rules to set standards and procedures for granting certifications and licensure to providers of mental health services, MAA would recommend to DMH that 29 DCMR § 899 be amended to clearly define the

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term “full time administrator” as an employee working at least 35 hours per week, conducting the day-to-day operations of the clinic.

CONCLUSION

In its fourth full year of operation, the pace with which the MFCU investigates fraud, abuse, and neglect cases continues to gather momentum. During FY 2004, the Unit obtained four criminal convictions and recovered substantial monies in restitution to the Medicaid program. In addition, the Unit continued to demonstrate a high level of activism and gained prestige through its membership in task forces, presentations, and participation in other writing and training opportunities. A number of pending cases in which the MFCU has invested significant resources are expected to reach resolution in FY 2005. The results of performance measures for the Medicaid Fraud Control Unit for FY 2004 are shown in Appendix P.

APPENDICES



TESTIMONY BY THE OFFICE OF 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 fiscal year 2004.

September 22, 2004 Testimony Before the Committee on the Public Works and the Environment – Audit of Elevated Levels of Lead in the District’s Drinking Water

September 16, 2004 Testimony Before the Committee on Government Operations – Audit of the Office of Contracting and Procurement’s Operations and Auction Process

April 2, 2004 Testimony Before the Committee on Government Operations – Fiscal Year 2005 Budget Review

March 29, 2004 Testimony Before the D.C. Council Committees on the Judiciary and Education, Libraries, and Recreation

February 24, 2004 Testimony Before the Committee on Government Operations – Fiscal Year 2003 Performance Review

February 4, 2004 Testimony Before the Committee of the Whole – Issuance of the District’s Fiscal Year 2003 Comprehensive Annual Financial Report (CAFR)

January 28, 2004 Testimony Before the Committee on Government Operations – Compliance with the District of Columbia’s Local, Small, and Disadvantaged Business Enterprises (LSDBE) Program

October 7, 2003 Statement by Inspector General Charles C. Maddox, Esq. Concerning the Washington Teacher’s Union Investigation

October 3, 2003 Testimony Before the Committee on Government Operations – A Review of Reforms Made to the District of Columbia Purchase Card Program and Government Travel Card Program (Charles C. Maddox, Esq.)



MEDIA HIGHLIGHTS

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

“ABC 7 Exclusive: Inside the D.C. Morgue”
November 1, 2003 (WJLA)

“Caregiver Charged”
November 20, 2003 (WP)

“Fenty Glad to See IG Probe of UDC Record Theft”
December 7, 2003 (WP)

“Inspector General’s Office Investigate UDC Employees”
December 1, 2003 (WJLA)

“Man Gets 2-Year Term for Sex Assault on Retarded Ward”
January 3, 2004 (WP)

“DPW Workers Charged in ‘Booted’ Vehicle Scheme”
January 30, 2004 (CD)

“Oak Hill Problems Shock Senate Panel”
March 31, 2004 (WP)

“‘Inept’ School Guards Not Fired”
March 30, 2004 (WT)

“Group Charged for ‘Free’ Meals”
April 2, 2004 (WT)

“City Halts Funds to S.E. Nonprofit Feeding Elderly”
April 10, 2004 (WT)

“Waste Cited in No-Bid Contracts”
April 28, 2004 (WP)

“Maximum Sentence for D.C. Ticket Fixer”
April 29, 2004 (WT)

“Audit Uncovers Misused Millions”
May 17, 2004 (WT)

MEDIA HIGHLIGHTS

“D.C. Probes Employees Use of His Web Site”
May 26, 2004 (WP)

“D.C. Fails to Find Missing Youth Offenders”
August 4, 2004 (WP)

“Audit Finds Big Auction Losses”
September 3, 2004 (WT)

“D.C. Selling Firetrucks Too Cheaply, Audit Finds”
September 4, 2004 (WP)

“Audit Shows Parents Kept in the Dark”
September 9, 2004 (WT)

“D.C. Schools Faulted on Tracking Crime”
September 10, 2004 (WP)

“Report Finds Flaws in D.C. Schools’ Security”
September 14, 2004 (WP)

“Woman Admits to Fixing D.C. Traffic Tickets”
October 18, 2004 (WP)

References: *Washington Post* – **WP** *The Washington Times* – **WT** *The Common Denominator* – **CD** *ABC 7 News* – **WJLA**

AUDIT DIVISION PERFORMANCE STATISTICS

Activity	FY 2004 Target	FY 2004 Actual
OIG Reports Issued ¹	38	42
Potential Monetary Benefits	\$25 million	\$48 million
Percentage of Recommendations Implemented ²	N/A	N/A
District Agency Coverage	22	28
Comprehensive Annual Financial Report (Audit) - Signed	2/1/04	1/23/04

¹ Number reported includes audit reports, MIRs, and MARs completed by the Audit Division.

² The OIG conducted an audit of District agencies' implementation of audit recommendations in FY 2002. Our baseline was based on the results of this audit. Such audits will be conducted on a triennial basis with the next audit scheduled to be completed in FY 2005.



AUDIT AGENCY COVERAGE

DISTRICT AGENCY/OFFICE	
1	Child and Family Services Administration
2	Department of Consumer and Regulatory Affairs
3	Department of Corrections
4	Department of Health Medical Assistance Administration
5	Department of Housing and Community Development
6	Department of Human Services
7	Department of Human Services Youth and Adolescence Services Program
8	Department of Motor Vehicles
9	Department of Public Works
10	Department of Transportation
25	District of Columbia Office of the Attorney General
11	District of Columbia Public Schools
12	District of Columbia Retirement Board
13	Emergency Management Agency
14	Executive Office of the Mayor
15	Fire and Emergency Medical Services Department
16	Office of Banking and Financial Institutions
17	Office of Contracting and Procurement
18	Office of Finance and Treasury
19	Office of Financial Operations and Systems
20	Office of Property Management
21	Office of Tax and Revenue
22	Office of the Chief Financial Officer
23	Office of the Chief Technology Officer
24	Office of the City Administrator and Deputy Mayor for Operations
26	Office on Aging
27	Washington Metropolitan Transit Commission
28	Water and Sewer Authority



AUDIT COST AND RECOMMENDATION STATUS

No.	Report Title	Cost ¹	Recommendations	
			Made	Open
1	Home Purchase Assistance Program Financial Statement Audit for the Fiscal Year Ended September 30, 2001. (OIG No. 03-1-08DB)	40,000	0	0
2	Audit of the Management of the 401(a) Defined Contribution Pension Plan. (OIG No. 03-2-19AT)	20,375	3	0
3	Audit of the District of Columbia's Management of Genetic Testing. (OIG No. 03-2-02CB)	75,754	4	0
4	Audit of the District of Columbia Child Support Enforcement System Contract. (OIG No. 01-1-11CB(b))	163,978	9	0
5	Audit of the Department of Housing and Community Development's Management of the Drawdown of Reimbursable Expenditures. (OIG No. 02-1-9DB(b))	59,698	1	0
6	Audit of Procurement Activities by the Office of Contracting and Procurement and the Department of Human Services. (OIG No. 02-1-03MA(a))	50,774	4	1
7	Audit of the Department of Housing and Community Development's Management of the Walter E. Washington Estates Community Center Project. (OIG No. 02-1-09DB)	51,019	4	0
8	Audit of the Accuracy of the D.C. Water and Sewer Authority's Residential Water Meters. (OIG No. 03-2-13LA(a))	75,000	0	0
9	Audit of Residential Customer Billing for Water Usage and the Customer Complaint Process. (OIG No. 03-2-13LA(b))		2	0
10	Comprehensive Annual Financial Report (OIG No. 04-1-28MA, issued 1/23/04)	2,021,165 ²	0	0

¹ Costs were calculated as the total direct hours charged multiplied by the composite rate of Audit Division expenses.

² Costs of \$2,021,165 were spread evenly among the four major deliverables related to the District's and DCPS FY 2003 CAFR and Management Letters.

AUDIT COST AND RECOMMENDATION STATUS

No.	Report Title	Cost ¹	Recommendations	
			Made	Open
11	Professional Engineers' Fund Management Letter for the Fiscal Year Ended September 30, 2002, and the Six-Month Period Ended September 30, 2001. (OIG No. 03-1-09CR(c))	14,934	4	0
12	Audit of the District of Columbia Highway Trust Fund. (OIG No. 04-1-01KA)	84,678	0	0
13	Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting. (OIG No. 04-1-14MA)	Included in cost of District CAFR	8	8
14	Audit of the Department of Housing and Community Development's Management of Community Development Corporation Projects. (OIG No. 02-1-09DB(d))	138,387	6	0
15	Audit of the Management of Grantee Operations at the Office on Aging. (OIG No. 03-2-03BY)	166,871	20	0
16	Audit on Department of Corrections' Correctional Treatment Facility Contract. (OIG No. 03-1-06FL)	57,539	3	0
17	District of Columbia Management Letter Fiscal Year 2003. (OIG No. 04-1-19MA)	Included in cost of District CAFR	33	15
18	District of Columbia Public Schools Budgetary Comparison Schedule Governmental Funds and Supplemental Information September 30, 2003 (With Independent Auditors' Report Thereon). (OIG No. 4-1-20GA(a))	Included in cost of District CAFR	0	0
19	Audit of the District of Columbia Public Schools' Procurement of School Security Services. (OIG No. 03-2-14GA)	150,000	5	0
20	Audit of Procurement Activities at the D.C. Fire and Emergency Medical Services Department. (OIG No. 02-1-03MA(e))	187,042	12	0

AUDIT COST AND RECOMMENDATION STATUS

No.	Report Title	Cost ¹	Recommendations	
			Made	Open
21	Report on the Examination of the District of Columbia's Highway Trust Fund Forecast Statements for Fiscal Years 2004-2008 with Actual Audited Figures for FY 2003. (OIG No. 04-1-01KA(a))	9,780	0	0
22	District of Columbia Public Schools Reportable Conditions in Internal Control over Financial Reporting and Management Letter Comments for the Year Ended September 30, 2003. (OIG No. 04-1-20GA(b))	Included in cost of District CAFR	13	0
23	Audit of Fiscal Year 2003 Agency Performance Measures and Agency Key Results Measures. (OIG No. 04-1-03MA)	84,760	7	0
24	Audit of the Washington Metropolitan Area Transit Commission for the Fiscal Year Ended June 30, 2003. (OIG No. 04-1-10KC)	40,668	0	0
25	Audit of the District of Columbia Public Schools' Procurement of School Security Services. (OIG No. 03-2-14GA(e))	24,735	7	1
26	Audit of the Office of Contracting and Procurement's Personal Property Division Operations and Auction Process. (OIG No. 03-2-23MA)	85,045	7	7
27	Audit of the District of Columbia Public Schools' Incident Reporting. (OIG No. 03-2-14GA(a))	67,726	8	0
28	Audit of Physical Security at the District of Columbia Public Schools. (OIG No. 03-2-14GA(b))	51,671	7	7
	TOTAL	\$3,721,599	113	39



AUDIT REPORT SUMMARIES

1. Home Purchase Assistance Program Financial Statement Audit for the Fiscal Year Ended September 30, 2001, OIG No. 03-1-08DB, issued October 15, 2003

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

2. Audit of the Management of the 401(a) Defined Contribution Pension Plan, OIG No. 03-2-19AT, issued October 15, 2003

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

3. Audit of the District of Columbia's Management of Genetic Testing, OIG No. 03-2-02CB, issued October 20, 2003

This audit found that the Child Support Enforcement Division aggressively monitored the contractor's performance on a day-to-day basis and exercised effective oversight for the contractor's compliance with the requirements of Contract No. DCCB-2001-D-0021. However, the lack of an administrative agreement with the Superior Court of the District of Columbia concerning genetic testing for non-IV-D cases through the current contract remains unresolved. Although some administrative roles were established through modifications to the contract, the issue remains partially unresolved because solutions were not fully developed through those modifications to establish joint or organizationally unique procedures to govern the administrative and operational management of the District of Columbia's genetic testing program for IV-D and non-IV-D cases.

We directed recommendations to Office of the Corporation Counsel (currently, the Office of the Attorney General) which centered on developing joint and organizationally unique procedures to govern the administrative and operational management of the District of Columbia's genetic testing program for IV-D and non-IV-D cases. Additionally, we recommended that the Memorandum of Understanding between the Office of the Corporation Counsel and the Superior Court of the District of Columbia for the administrative and operational management of the District of Columbia's genetic testing program applicable to the Child Support Enforcement Division IV-D cases be modified to ensure the program's effective and efficient operation.

4. Audit of the District of Columbia Child Support Enforcement System Contract, (DCCSES) OIG No. 01-1-11CB(b), issued October 22, 2003

We found that the Child Support Enforcement Division (CSED) paid the DCCSES Information Technology (IT) services contractor \$1,015,000 in direct and indirect communications salary costs and \$2,946,000 in direct and indirect network maintenance salary costs for personnel that the contractor did not provide in accordance with the DCCSES IT services contract. Further, CSED will incur \$2,913,000 in direct and indirect network maintenance and communications salary costs if action is not taken to modify the contract to

AUDIT REPORT SUMMARIES

exclude personnel the contractor has not provided. CSED paid the contractor a total of \$829,924 for salary costs resulting from staffing hours that were unreasonable, and will incur an additional \$331,030 for network maintenance salary costs that are above the contract required staffing hours. In addition, CSED paid the contractor \$13,686 for personal computer (PC) maintenance while the PCs were under a 3-year manufacturer's warranty, and will incur \$447,552 in unreasonable PC maintenance costs. Lastly, CSED can possibly avoid \$127,723 in computer facility rental costs and reduce or eliminate facilities management other direct costs by moving the facility to the Office of the Chief Technology Officer Data Center 2 and can possibly recover \$560,805 billed by the contractor for installation of a new network that was never installed.

We directed 9 recommendations to the Office of the Corporation Counsel, the Office of Contracting and Procurement, and OCTO to correct deficiencies noted in the report. Recommendations were made to assist in recovering the costs of personnel services the contractor did not or may not supply, and for avoiding the future costs of services the contractor is not likely to provide in accordance with contract terms. Additionally, we made recommendations to reduce the District's cost to maintain and support the CSED local area network (LAN) and DCCSES.

5. Audit of the Department of Housing and Community Development's Management of the Drawdown of Reimbursable Expenditures, OIG No. 02-1-9DB(b), issued November 14, 2003

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

6. Audit of Procurement Activities by the Office of Contracting and Procurement and the Department of Human Services, OIG No. 02-1-3MA, issued November 20, 2003

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

7. 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

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

8. Audit of the Accuracy of the D.C. Water and Sewer Authority's Residential Water Meters, OIG No. 03-2-13LA(a), issued December 23, 2003

The audit was performed in response to requests from WASA and Councilmember Adrian M. Fenty to review the accuracy of residential water meters and the efficacy of the billing and customer complaint processes. This report addressed the issue of water meter accuracy.

AUDIT REPORT SUMMARIES

We engaged a firm, Hydrotech Mechanical Services, Inc. (Hydrotech), to conduct the necessary tests of water meters to answer our audit objective of whether WASA water meters for residential users accurately record water usage. In response to our statement of work requirements, Hydrotech identified a universe of 92,598 residential water meters, which it tested by using statistical sampling methodologies. Hydrotech selected a sample of 383 residential water meters to test and as a basis to project the results to the universe.

Hydrotech bench-tested the sampled water meters for low, medium, and high water flow. The results of testing 383 water meters indicated 374 water meters were within standard, 9 water meters were below standard (recorded water flow at a slower rate), and 0 water meters were above standard (recorded water flow at a faster rate). In projecting these results to the universe of 92,598 water meters, we estimated that 97.6 percent (90,376 water meters) would operate within industry standards, 2.4 percent (2,222 water meters) would register slow or under register the water flow, and that none of the water meters would run fast or otherwise over register water flow. Hydrotech noted that having a few water meters that under register water flow is normal when one considers variances in wear, construction, installation, and conditions of use.

In addition to water flow tests, the sampled meters were tested to assess the accuracy of the meter transmission units (MTUs) to WASA's Hexagram System. The Hexagram System receives data from the MTU for usage recording and for subsequent billing purposes. The results of that test showed that all 383 MTUs transmitted accurately. We concluded, based on the independent tests conducted by Hydrotech, that the results provided strong evidence that residential reports of higher than normal water meter usage reflected anomalies or unique circumstances and that there was no causal relationship between any reported residential high water usage and water meters registering faster than the norm.

9. Comprehensive Annual Financial Report, OIG No. 04-1-28MA, issued January 23, 2004

KPMG issued an Independent Auditors' Report, on January 23, 2004, which concluded that the District's financial statements (contained in the CAFR):

present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District, as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general and federal and private resources funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

AUDIT REPORT SUMMARIES

With the issuance of the FY 2003 CAFR, the city received its seventh consecutive unqualified opinion on its financial statements.

10. Professional Engineers' Fund Management Letter for the Fiscal Year Ended September 30, 2002, and the Six-Month Period Ended September 30, 2001, OIG No. 03-1-9CR(c), issued January 26, 2004

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

11. Audit of the District of Columbia Highway Trust Fund, OIG No. 04-1-01KA, issued January 30, 2004

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

12. Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting, OIG No. 04-1-14MA, issued February 6, 2004

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

13. Audit of the Department of Housing and Community Development's Management of Community Development Corporation Projects, OIG No. 02-1-9DB(d), issued March 2, 2004

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

14. Audit of the Management of Grantee Operations at the Office on Aging, OIG No. 03-2-03BY, issued March 30, 2004

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

15. Audit on Department of Corrections' (DOC) Correctional Treatment Facility (CTF) Contract, OIG No. 03-1-06FL, issued April 2, 2004

We concluded that the contractor complied with most of the contract specifications included in our review, and that DOC generally administered the contract in accordance with the contract terms. However, we determined that the contractor improperly hired employees to work at the CTF prior to the completion of required background investigations and drug tests. Permitting employees to work at the CTF before successful screening is not only contrary to contract requirements but also poses a security risk at the CTF.

We also determined that the CTF contract files did not contain adequate documentation. The lack of documentation precluded us from determining conclusively whether the Council of

AUDIT REPORT SUMMARIES

the District of Columbia and the former D.C. Financial Responsibility and Management Assistance Authority approved the contract.

We directed two recommendations to the Director of DOC, and one recommendation to the Chief Procurement Officer for the Office of Contracting and Procurement. The recommendations focused on updating contract files with adequate documentation to demonstrate compliance with laws and other relevant procurement requirements, and requiring the contractor to maintain copies of inmate grievance forms to enable DOC and other auditors to determine whether grievances are properly handled. Further, we recommended requiring the current medical provider for the CTF to correct the medical deficiencies cited in the recent American Correctional Association accreditation report and the DOC audit reports in order to limit the District's risk of civil liability.

16. District of Columbia Management Letter Fiscal Year 2003, OIG No. 04-1-19MA, issued April 2, 2004

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

17. District of Columbia Public Schools Budgetary Comparison Schedule Governmental Funds and Supplemental Information September 30, 2003 (With Independent Auditors' Report Thereon), OIG No. 04-1-20GA(a), issued April 16, 2004

The independent auditor, KPMG, opined that the Budgetary Comparison Schedule – Governmental Funds and Supplemental Information (With Independent Auditors' Report Thereon) of the District of Columbia Public Schools (DCPS) for the fiscal year ended September 30, 2003, presents fairly, in all material respects, the financial position of the DCPS as of September 30, 2003.

18. Audit of the District of Columbia Public Schools' Procurement of School Security Services, OIG No. 03-2-14GA, issued April 26, 2004

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

19. Audit of Procurement Activities at the D.C. Fire and Emergency Medical Services Department (DCFEMS), 02-1-3MA(c), issued May 4, 2004

After randomly reviewing 25 contract actions, we found that DCFEMS contracting officials did not adequately document procurement files to demonstrate that goods/services were delivered, to record and verify that payments were made and, in some instances, to establish the basis for vendor selection. We also found that purchase cards at DCFEMS had artificially high spending limits, and were used to make unauthorized purchases and split purchases. In some cases, alternative procurement methods should have been used. Lastly,

AUDIT REPORT SUMMARIES

we found that imprest funds were used for unauthorized items and, in some cases, contained fund balances higher than authorized by regulation. We found that this condition existed because management exercised little or no oversight over daily imprest fund activity.

We directed four recommendations to OCP that centered, in part, on adhering to contracting guidelines as provided in the D.C. Municipal Regulations to ensure that contract files contain documentation to support contract deliverables and payment, and that sole source contracting is adequately justified. We also directed eight recommendations to DCFEMS that centered on ensuring that all purchases made by purchase cards are authorized; obtaining competitive bids; purchasing goods and services under contractual agreements whenever possible; discontinuing the practice of splitting purchases to meet the transaction limit of individual purchases on the purchase cards; and reviewing uses and maintenance of agency imprest funds.

20. Report on the Examination of the District of Columbia's Highway Trust Fund Forecast Statements for Fiscal Years 2004-2008 with Actual Audited Figures for FY 2003, OIG No. 04-1-01KA, issued May 28, 2004

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

21. Audit of WASA's Billing and Customer Complaint Process, OIG No. 03-2-13LA(b), issued June 1, 2004

The OIG contracted with independent auditors to perform this audit. The auditors determined that WASA accurately processed residential customer billings that reflected the water usage reported electronically from the water meters. The auditors also concluded that WASA needed to improve the complaint process and obtained from WASA the costs of processing complaints.

Recommendations were made to perform a reorganization of WASA's customer services area. Changes should result in improved documentation and faster turnaround of customer issues.

22. District of Columbia Public Schools Reportable Conditions in Internal Control over Financial Reporting and Management Letter Comments for the Year Ended September 30, 2003, 04-1-20GA(b), issued June 10, 2004

In conjunction with the audit of the District of Columbia Public School's (DCPS) Budgetary Comparison Schedule – Governmental Funds and Supplemental Information (With Independent Auditor's Report Thereon) for the fiscal year ended September 30, 2003, KPMG submitted a report on Reportable Conditions in Internal Control Over Financial Reporting and Management Letter Comments. These reports provide information about DCPS's

AUDIT REPORT SUMMARIES

compliance with laws and regulations and the adequacy of internal controls, and also recommends actions to improve DCPS operations.

23. Audit of Fiscal Year 2003 Agency Performance Measures or Agency Key Results Measures, OIG No. 04-1-03MA, issued June 17, 2004

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

24. Audit of the Washington Metropolitan Area Transit Commission for the Fiscal Year Ended June 30, 2003, 04-1-10KC, issued July 15, 2004

In our opinion, the financial statements for the Washington Metropolitan Area Transit Commission (the Commission) presented fairly, in all material respects, the financial position of the Commission as of June 30, 2003, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

We also issued a report, dated July 15, 2004, on our consideration of the Commission's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report identified no material weaknesses in internal control over financial reporting required to be reported under Government Auditing Standards.

25. Audit of the District of Columbia Public Schools' Procurement of School Security Services, OIG No. 03-2-14GA(e), issued August 6, 2004

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

26. Audit of the Office of Contracting and Procurement's Personal Property Division (PPD) Operations and Auction Process, OIG No. 03-2-23MA, issued September 1, 2004

Overall, PPD's ineffective management of excess property led to the auction of valuable District property at "bargain basement" prices and loss of needed income for the District. We found that the PPD does not adequately account for excess District property, routinely disposes of certain types of property for unrealistically low prices, does not transmit quarterly reports of operations to the D.C. Council as required by law, and needs to reevaluate staffing levels for disposal operations. These conditions occurred because there is little or no management oversight of PPD operations.

Also, we found there were few internal controls in place to ensure the integrity of the disposal process, to include assurances of well advertised/publicized auctions, or that any final bid accepted for excess property reflected the fair market value of the auctioned item.

AUDIT REPORT SUMMARIES

In addition, there apparently had been no attempt to explore or use alternate methods of disposal that have proven effective and lucrative to other State and local governments. Lastly, there is a failure by management to ensure that recommendations made during past audits of PPD by the D.C. Auditor were acted upon in a positive way. The District is currently losing in excess of about \$500,000 a year as a result of the inefficient operations at PPD. A comparison of auction revenue generated versus operating costs during a 27-month period showed that it cost the District government \$1.50 to dispose of \$1.00 worth of excess property.

We directed seven recommendations to OCP that centered in part on accounting for disposal property by establishing an inventory and tracking system; exploring ways to maximize the profit gained from auctioned property; establishing policies and procedures to require PPD personnel to visually inspect and assess Fire and Emergency Medical Services apparatus prior to auction; and implementing internal controls to ensure that auctions are well advertised and publicized.

**27. Audit of the District of Columbia Public Schools' Incident Reporting,
OIG No. 03-2-14GA(a), issued September 7, 2004**

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

**28. Audit of Physical Security at the District of Columbia Public Schools,
OIG No. 03-2-14GA(b), issued September 10, 2004**

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

AUDIT MANAGEMENT ALERT REPORT SUMMARIES

1. Audit of Fiscal Year 2003 Agency Performance Measures and Agency Key Results Measures¹ at Child and Family Services Agency, MAR 04-A-02, issued 2/3/2004

Our review of the six performance measures disclosed that CSFA had adequate documentation to support that it had achieved identified goals for two performance measures and two others were verified as not accomplished. For the remaining two measures, CSFA was unable to substantiate the results reported to the OCA.

Additionally, CFSA reported to the OCA performance measure targets that were different than that found in the FY 2003 Proposed Budget and Financial Plan. CFSA was unable to show that the OCA had approved these changes; as a result, we were unable to conclude from information available at CFSA that the changes were properly approved, and that CFSA was reporting results for comparison with approved targets.

MAR No. 04-A-02 stated, “CFSA reported that it had achieved six of its performance goals.” After further review, we determined that this statement was incorrect. CFSA reported to OCA in its FY 2003 Report of Agency Performance Measure Results that there was one measure that they did not achieve and for the other measure, a target had not been determined. Therefore, CFSA achieved four of its six performance goals.

CFSA has amended its reporting process on performance measures by using supporting documentation that comes exclusively from its automated data system (FACES), which will ensure that an adequate audit trail is maintained and figures are supported. In regard to obtaining and documenting approvals from the OCA on any changes to an agency’s performance measures, it is our understanding that the new Performance Budget Module of the District’s Administrative Services Modernization Program will contain an automated approval system to record and track agencies’ changes to performance measures.

CFSA’s corrective action should provide the necessary support and audit trail for future verifications. However, OCA representatives informed us that the automated approval process would not be integrated at the initial implementation of the ARGUS Scorecard, which is the Performance Budget Module.

AUDIT MANAGEMENT ALERT REPORT SUMMARIES

2. Audit of Fiscal Year 2003 Agency Performance Measures and Agency Key Results Measures at Emergency Management Agency, MAR 04-A-03, issued 2/3/2004

Our audit revealed that EMA had adequate documentation to support all ten of the selected performance measures reviewed. EMA had no points of dispute with the audit results or the MAR as presented.

3. Audit of Fiscal Year 2003 Agency Performance Measures and Agency Key Results Measures at Department of Banking and Financial Institutions, MAR 04-A-04, issued 2/3/2004

Our review of 6 of 18 performance measures disclosed that DBFI had adequate documentation to support that it had achieved identified goals for 3 performance measures. For the remaining three measures, DBFI was unable to substantiate the results reported to the OCA.

DBFI concurred with the findings and recommendations presented in the MAR and established a comprehensive set of policies and procedures for tracking and reporting performance measures. The procedures mandate effective internal controls and require specific audit trails. Also, the new policies and procedures will require explanations of how performance measure results were determined.

4. Audit of Fiscal Year 2003 Agency Performance Measures and Agency Key Results Measures at Office of Property Management (OPM), MAR 04-A-05, issued 2/3/2004

Due to the unavailability of records, we could not verify the reporting accuracy for three measures reviewed at OPM. OPM's management requested that they be given another opportunity to provide performance measure supporting documentation.

5. Audit of Fiscal Year 2003 Agency Performance Measures and Agency Key Results Measures at Office of Contracting and Procurement, MAR 04-A-06, issued 2/3/2004

Our review of 8 of the 17 performance measures at OCP showed that OCP had accurately reported the results for 5 measures. However, we were unable to verify the reporting accuracy of the remaining three performance measures.

OCP responded that it would establish policies and procedures and implement internal reviews by May 2004 to ensure that all reported performance measure data are verifiable. Currently, OCP is updating its Data Collection Manual that includes the performance measure definition, the formula for calculating the results, data collection methodology, and quality assurance measures.

The OIG believes that actions planned by OCP management meet the intent of the recommendations.

AUDIT MANAGEMENT ALERT REPORT SUMMARIES

6. Audit of Fiscal Year 2003 Agency Performance Measures and Agency Key Results Measures at Youth and Adolescent Services Program (YASP), MAR 04-A-07, issued February 3, 2004

Our review of performance measures at YASP disclosed that the methodology YASP used to compute the reported results was questionable. As a result, we were not able to verify the accuracy and reliability of performance data reported.

MAR No. 04-A-07 to the DHS's YASP stated, "Our review of 2 of 3 performance measures disclosed that YASP was unable to substantiate the results reported to the OCA." This statement was in error. The YASP had only two performance measures for FY 2003. Results for both measures were reported to the OCA.

DHS concurred with the recommendations presented in the MAR regarding YASP's performance measures and will develop policies and procedures to certify the completeness and reliability of performance measure data submitted each month. Also, DHS will instruct responsible staff at the program level to review performance measures data collection methodology; identify the systems, processes, and procedures used to collect performance measure results; and retain supporting documents indicating that identified verification and validation procedures have been applied.

7. Audit of Fiscal Year 2003 Agency Performance Measures and Agency Key Results Measures at Medicaid Assistance Administration (MAA), MAR 04-A-08, issued 2/3/2004

Our review of MAA's performance measures disclosed that MAA accurately reported the results of two measures; however, we were unable to verify the reporting accuracy of the remaining measure.

MAA reported to the OCA performance measure results for one measure based on unreliable data that could not be supported. Our review found that reported results contained mathematical errors and irregularities. Also, MAA reported to OCA performance measures that were different than those found in the FY 2003 Proposed Budget and Financial Plan. MAA was unable to show that OCA had approved these changes.

The MAR reported that MAA was unable to show that OCA had approved the changing of performance measures that were different from those found in the FY 2003 Proposed Budget and Financial Plan. However, MAA provided documentation in its response to the MAR to show that MAA had obtained approval from the Mayor's Office.

The OIG believes that actions taken by MAA management meet the intent of the recommendations.

AUDIT MANAGEMENT ALERT REPORT SUMMARIES

8. Audit of Fiscal Year 2003 Agency Performance Measures and Agency Key Results Measures at D.C. Retirement Board (DCRB), MAR 04-A-10, issued 2/3/2004

Our review of the agency's performance measures showed that DCRB accurately reported the results of one of two performance measures incorporated in its FY 2003 budget submission to OCA. DCRB did not evaluate or report the second performance measure to OCA during FY 2003.

DCRB stated in its response to our MAR that we were not correct in reporting that they did not track the performance measure regarding the customized annual benchmark versus the District's actual rate of return. Furthermore, DCRB claimed that the customized benchmark return is not a goal that can be set in advance, because it is a number that is not known in advance.

DCRB also disagreed that there was no documentation to support this measure, and DCRB's Board strongly disagreed with our statements that it runs the risk of compromising the accountability and responsibility of the agency's performance when performance measures are eliminated. In essence, DCRB stated that measures that are no longer useful should not be reported just because they were once reported in a budget book. DCRB provided documentation to support the second performance measure.

Notwithstanding DCRB's response, OCA informed us that the measure we questioned was discontinued on January 31, 2003, for FY 2004 and future fiscal years. Accordingly, the issue is moot.

9. Audit of Fiscal Year 2003 Agency Performance Measures and Agency Key Results Measures at D.C. Public Schools, MAR 04-A-09, issued 2/12/2004

Our review of 7 of 18 performance measures disclosed that DCPS did not have adequate documentation to support that it had achieved identified goals for its performance measures.

Our review disclosed that DCPS had not tracked and/or prepared a report detailing the results of its FY 2003 performance measures identified in the FY 2003 Proposed Budget and Financial Plan. Additionally, DCPS was unable to demonstrate that the D.C. Board of Education had been informed that DCPS did not track and/or report on the agency selected measures for FY 2003.

DCPS officials informed us that DCPS is under reorganization, which may have led to lapses in responsibility and assigned duties of tracking established performance measures. Officials also stated that the FY 2003 performance measures were not consistent with its mission and goals; therefore, the results of its measures for FY 2003 were not tracked.

DCPS has revised its performance measures to be consistent with its strategic plan. Additionally, DCPS stated that OCA was aware of and in agreement with all changes made.

AUDIT MANAGEMENT ALERT REPORT SUMMARIES

Subsequent to the MAR, OCA representatives also informed the OIG that they were aware of, and accepted, the modifications to the targets. Planned actions taken by DCPS management meet the intent of the recommendations.

10. Potential Health and Safety Issue at the Department of Motor Vehicles, MAR 04-A-11, issued 3/22/2004

During our audit at the DMV, concerns of asbestos in a room routinely accessed by DMV employees were brought to our attention. This room adjoins another room used to serve the public. Although we had no conclusive evidence that asbestos was present, we could not conclude with reasonable certainty that this potential health hazard has been adequately resolved to ensure the proper safeguard of DMV employees and its customers.

We recommended that the Director, DMV request the appropriate District agency test the rooms in question for asbestos contamination, dampness, mold, and air quality and, if applicable, take immediate action to correct any health risks. Additionally, we recommended that until test results are obtained and any needed corrective actions are taken, all employees should be restricted from this area and public access from the areas in question be blocked.

11. Potential Risk of Financial Loss at the Department of Motor Vehicles, MAR 04-A-12, issued 3/24/2004

The purpose of this Management Alert Report was to report a potential risk of financial loss and a security issue that were identified during our ongoing Audit of the Department of Motor Vehicles. During the course of audit work, we noted DMV did not have sufficient controls to ensure that payments received for DMV services and/or fees were properly deposited into the District's Treasury. Specifically, we noted that DMV had not deposited over \$83,000 of payments received during the period of March 2002 through December 2003. Additionally, we found that payments received by DMV were not properly safeguarded against loss or theft.

We made five recommendations to the Director, DMV that centered on establishing controls to ensure that cashiers and supervisors conduct reconciliations to DESTINY reports and the District's financial records of daily collections. We also recommended strengthening controls over the transportation and handling of checks, cash, and other negotiable instruments; determining whether undeposited checks have been placed in storage; and taking action as necessary to recover any amounts due the District.

12. Significant Loss of Revenue at the Department of Motor Vehicles, MAR 04-A-13, issued 4/9/2004

The purpose of this Management Alert Report was to inform DMV officials that a significant loss of revenue due to dishonored checks and related fees was identified during our ongoing

AUDIT MANAGEMENT ALERT REPORT SUMMARIES

Audit of the Department of Motor Vehicles. Our preliminary review of records at the Office of Finance and Treasury (OFT) revealed that DMV received 2,352 dishonored checks totaling \$490,629 during FY 2003 for DMV products or services. In addition to this loss of revenue, we estimated that DMV had not collected revenue for the dishonored checks fees totaling approximately \$152,880.

In FY 2003, DMV recovered only \$119,337 for dishonored checks and related fees for FY 2003 and prior years. We were informed that DMV mails the customer a dishonored check notice requesting that the customer resubmit payment along with the dishonored check fee. However, we noted that DMV does not suspend or revoke products or services provided to the customer after the receipt of a dishonored check.

13. Child and Family Services Agency's (CFSA) Management of the Foster Care Program, MAR 04-A-14, issued 5/10/2004

The purpose of this MAR was to report a potential health and safety issue that was identified during our ongoing Audit of the CFSA's Management of the Foster Care Program. Our review of 27 reports of abuse, neglect, other risks to residents' health and safety, and unusual incidents that involve children in CFSA's care, showed that CFSA does not evaluate these abscondence incidents in a thorough and systematic manner. Specifically, after the preparation of the required Critical Event Reporting Forms by the CFSA Hotline worker or a child's on-going social worker, the abscondence incidents associated with these reports were not always assigned a referral number for tracking purposes in CFSA's computerized management information system (FACES).

The review also showed that when an incident of abscondence was assigned a referral number, CFSA did not evaluate the incident because CFSA categorizes an abscondence incident as an Information and Referral action, which does not require an investigation. Failure to investigate these types of incidents places these children at greater risk for subsequent maltreatment and does not provide assurance for the safety and well-being of foster care children in the care of CFSA.

We recommended that the Director, CFSA, require all incidents of abscondence obtained from CFSA foster care providers be reported to and recorded in the Hotline, and evaluate and investigate, when warranted, all incidents of abscondence reported to the CFSA Hotline.

14. Management of Cash Advances to the Greater Washington Urban League, MAR 04-A-01, issued September 24, 2004

In this MAR we found that DHCD cited provisions of the D.C. Quick Payment Act (the Act) in the grant agreement between DHCD and GWUL, yet did not cite the Act in another grant agreement between DHCD and the Union Temple Community Development Corporation (UTCDC). In evaluating this inconsistent application of the Act, we asked the District of Columbia Contract Appeals Board (the Board) if the Act applied to both contracts and grants,

AUDIT MANAGEMENT ALERT REPORT SUMMARIES

as our review of the applicable D.C. Code language appeared to restrict the application of the Act to contracts. Further, the District's municipal regulations that govern the Community Development Program provide very brief guidance concerning the method of payment for grants and do not mention the Act.

To remedy this problem, we recommended that DHCD exclude provisions of the Act in any future grants awarded to GWUL or any sub-recipient. Further, the Office of Partnership and Grants, in coordination with the District of Columbia Attorney General's Office, needs to issue clarification, to all District agencies awarding grants to sub-recipients, to prohibit application of the Act to grants. This clarification should not restrict agencies from tailoring specific payment provisions for each grant awarded, as the circumstances may warrant, consistent with Office of Partnership and Grants policies, and agency local governing provisions regarding grant payment terms.



INSPECTION DIVISION PERFORMANCE STATISTICS

Activity	FY 2004 Target	FY 2004 Actual
Number of Inspections Conducted	6	5
Number of Inspection Reports Issued	6	5
Number of Management Alert Reports Prepared	8	7
Number of follow-up reports on agency compliance with Office of Inspector General recommendations conducted	3	2



INSPECTION DIVISION COST AND RECOMMENDATION STATUS

Inspection Title	Cost	Recommendations	
		Made	Open
Department of Health, Emergency and Medical Services Administration	\$47,300	6	6
Department of Health, Office of Primary Care, Prevention, Planning and Medical Affairs	\$41,300	10	10
Department of Human Services, Youth Services Administration, Part One: Oak Hill Youth Center	\$207,109	95	95
Department of Human Services, Youth Services Administration, Division of Court and Community Programs –Special Report, Management Alert Report 03-I-013	\$13,760	6	6
Department of Human Services, Youth Services Administration Programs, Part Two: Division of Court and Community Programs	\$165,120	38	38
Total Costs	\$474,589	155	155

¹ Costs were calculated as the total direct hours charged multiplied by the composite rate of Inspection Division expenses.



INVESTIGATIONS DIVISION PERFORMANCE STATISTICS

Activity	FY 2004 Target	FY 2004 Actual
Number of investigation matters received	450	421
Number of investigations opened	190	107
Number of investigations closed	194	123
Number of matters referred	170	154
Number of referrals closed	153	134
Number of investigation reports prepared	95	89
Number of Management Reports	10	1
Total reports	100	90
Number of Hotline calls received	200	162
Number of criminal convictions	25	15



**INVESTIGATIONS DIVISION PERFORMANCE STATISTICS
FISCAL YEARS 2002 – 2004 COMPARISON**

Activity	FY 2002	FY 2003	FY 2004
Investigative Matters Addressed*	451	408	421
Investigations Opened	162	124	107
Investigations Closed	299	290	253
Investigative Reports Prepared	25	18	8
Cases Referred	143	168	154
Referred Cases Closed	163	127	134
Cases Accepted by USAO	27	42	23
Cases Presented to USAO	41	59	60
Cases Presented to Corporation Counsel	7	9	9
Asset Seizure	\$205,425	\$0	\$0
Restitution	\$669,936	\$350,317	\$4,926,115
Recoveries	\$46,888	\$0	\$10,658
Convictions	16	8	15
Indictments	18	6	14
MARs	3	4	1
FARs	2	0	0
MIRs	1	2	0

* Includes active investigations, referrals to other agencies, and administrative closures of complaints received during previous fiscal years.



INVESTIGATIONS DIVISION CASES CLOSED BY AGENCY

Agency	Total
Advisory Neighborhood Commissions	6
Alcoholic Beverage Regulation Administration	1
Banking and Financial Institutions, Office of	1
Board of Elections and Ethics	2
Child and Family Services Agency	6
Citywide Call Center	1
Council of the District of Columbia	4
D.C. Emergency Management Agency	1
D.C. General Hospital – Public Benefit Corporation	1
D.C. Housing Authority	4
D.C. Lottery and Charitable Games Control Board	1
D.C. Office of Personnel	1
D.C. Office on Aging	1
D.C. Public Charter Schools	1
D.C. Public Schools	20
Dept. of Consumer and Regulatory Affairs	17
Dept. of Corrections	3
Dept. of Employment Services	8
Dept. of Fire and Emergency Medical Services	19
Dept. of Health	4
Dept. of Housing and Community Development	7
Dept. of Human Services	7
Dept. of Mental Health	4
Dept. of Mental Health Services	5
Dept. of Motor Vehicles	10
Dept. of Parks and Recreation	3
Dept. of Public Works	7
Dept. of Transportation	5
Disability Compensation Fund	1
Executive Office of the Mayor	2
Housing Finance Agency	1
Metropolitan Police Department	18
Office of Campaign Finance	1
Office of the Chief Financial Officer	7
Office of the Chief Technology Officer	4
Office of Contracting & Procurement	6
Office of the Corporation Counsel	2
Office of the Inspector General	2
Office of Property Management	3
Office of the Secretary	1
Office of Tax and Revenue	1
Other	33
Police and Fire Retirement System	1

INVESTIGATIONS DIVISION CASES CLOSED BY AGENCY

Agency	Total
Pretrial Service Agency	1
Public Service Commission	3
St. Elizabeths Hospital	2
State Education Office	1
Taxicab Commission	3
University of the District of Columbia	2
Washington Convention Center	2
Washington Metropolitan Area Transit Authority	1
Water and Sewer Authority	5
Total Closed Investigations	253

INVESTIGATIONS DIVISION HOTLINE STATISTICS BY QUARTER

Category	Q1	Q2	Q3	Q4	Total
Threats to public health, to public safety, or to the environment; or involving unsafe working conditions	0	3	2	3	8
Physical assaults or threats of violence	1	3	0	0	4
Fraud, theft, or false claims	8	8	4	8	28
Bribery, extortion, kickbacks, or illegal gratuities	1	4	3	3	11
Misuse of government funds or property, or use of official position for private gain	5	5	3	6	19
Governmental waste, inefficiency, or mismanagement	7	8	3	7	25
Contract fraud or procurement violations	1	0	2	3	6
False statements	0	0	1	0	1
Ethics violations and conflicts of interest	3	1	2	2	8
Time and attendance fraud	2	7	3	2	14
Harassment, retaliation, or abuse of authority by a supervisor or by another government official	4	3	10	3	20
Hiring, promotion, or other treatment of employees in violation of personnel regulations	0	2	1	1	4
Incivility or lack of response from an agency	1	6	0	1	8
Miscellaneous	3	1	1	1	6
Totals	36	51	35	40	162



INVESTIGATIONS DIVISION REFERRAL STATISTICS

Agency	No. of Referrals	Agency	No. of Referrals
Board of Elections and Ethics	1	Miscellaneous	1
Child and Family Services Agency	6	Multiple Agencies ***	2
Clean City Initiative	1	Office of Campaign Finance	1
Department of Consumer and Regulatory Affairs	14	Office of the Chief Financial Officer	2
Department of Corrections	2	Office of the Chief Medical Examiner	2
Department of Employment Services	5	Office of the Chief Technology Officer	2
Department of Health	2	Office of Contracting and Procurement	1
Department of Human Services	14	Office of the Corporation Counsel/Attorney General	5
Department of Insurance, Securities and Banking	1	Office of Human Rights	3
Department of Mental Health	5	OIG Audit Division	2
Department of Motor Vehicles	11	OIG Medicaid Fraud Control Unit	5
Department of Parks and Recreation	3	Office of Personnel	1
Department of Public Works	9	Office of Property Management	1
Department of Transportation	4	Office on Aging	1
Disability Compensation Program	1	Public Charter School Board	2
Executive Office of the Mayor *	2	Public Libraries	1
Federal **	6	Public Schools	17
Housing Authority	4	Taxicab Commission	4
Housing Finance Authority	1	University of the District of Columbia	1
Metropolitan Police Department	7	Washington Convention Center Authority	1

Total Referrals: 154

* Chief of Staff, Executive Office of the Mayor

** Department of Homeland Security OIG

Department of Housing and Urban Development OIG

Department of Justice OIG

Department of Transportation OIG

Department of Veterans' Affairs OIG

U.S. Office of Special Counsel

*** DMV and DPW

DCPS and MPD



INVESTIGATIONS DIVISION REFERRAL RESOLUTIONS

Agency	No. of Referrals
Agency Deadline Not Yet Expired	19
Referral Sent With No Response Requested	87
Allegations Unsubstantiated	14
Allegations Disproven	10
Agency Addressed Citizen's Complaint(s)	5
Restitution/Recovery/Fine	2
Agency Reviewed/Revised Its Procedures	3
Agency Explained the Issue/No Action Required	4
Case Closed Administratively	2
Agency Never Responded/Delinquency Letter to Mayor*	1
Agency Responded Following Delinquency Letter to Mayor**	5
Miscellaneous***	2
Total	154

* DCPS

** CFSA (agency will treat it as a new hotline call)
 DCPS (agency reviewed procedures in two cases)
 DCRA (unsubstantiated)
 DMV (agency explained the issue/no action required)

*** 1. MPD closed the case with a sub-referral to OCCR.
 2. Complainant's information to DPW was incorrect, and complainant refused to provide additional information.



MEDICAID FRAUD CONTROL UNIT PERFORMANCE STATISTICS

Activity	FY 2004 Target	FY 2004 Actual
Number of reports addressing unusual incidents at nursing and group homes including incidents resulting in injury or illness to a ward or resident of a nursing home, community residence facility, or group home for persons with mental retardation	400	2242
Number of fraud cases initiated	30	50*
Amount of recovered funds including damages assessed, penalties imposed, and overpayments recouped (millions of \$)	2.5	1.285
Number of division reports issued	15	20
Number of matters accepted for prosecution	10	16
Number of abuse cases initiated	20	84

* Includes 6 matters involving theft of funds or property from vulnerable persons.



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