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## MESSAGE FROM CHARLES J. WILLOUGHBY INSPECTOR GENERAL

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On behalf of the District of Columbia Office of the Inspector General (OIG), I am pleased to present the Annual Activities Report on our activities for the fiscal year (FY) ending September 30, 2005.

The OIG is established by law to provide independent and objective reporting to the Mayor, City Council, the Congress, District residents and other stakeholders. It is the mission of this Office to promote economy, efficiency, and effectiveness in government programs and operations through the elimination of fraud, waste, and abuse. We strive to fulfill our mission by means of audits, inspections, and investigations. No government can be any more effective performing its duties or functions than those who participate in it. Consequently, the effort to achieve the OIG's mission must be a concerted one, not only by the OIG, but also by District stakeholders, including its citizens.

The D.C. OIG is comprised of highly motivated professionals, specializing in audits, investigations, inspections, and legal matters. In addition, our staff, many with professional certifications, has extensive knowledge of District programs and operations, and is committed to improving government operations and identifying monetary benefits. Our auditors and inspectors are complemented by a force of highly trained and experienced agents who are actively engaged in a broad range of investigative activities associated with eradicating white-collar crime associated with District programs. These units, coupled with the Medicaid Fraud Control Unit, comprise a formidable team that, working closely with other government agencies, have made significant recommendations for management improvement, recovered millions of dollars in misused funds, and brought many criminals to justice. It is an honor to serve with this talented group of individuals who strive to further the OIG's mission.

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 the City has made following the sunset of the Control Board in 2001. Below I have highlighted our accomplishments by division.

**Audit Division.** For FY 2005, we issued 51 audit reports with potential monetary benefits exceeding \$28 million. These benefits compared to the Audit Division's in-house costs of approximately \$2.3 million, result in a return on investment exceeding \$12 for each dollar invested.

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Several audit reports recommended changes that would significantly improve District operations. For example, our Audit of The Department of Motor Vehicles' Participation in the International Registration Plan and the International Fuel Tax Agreement found that the DMV could avail itself of existing revenue-generating options estimated at \$3.3 million annually. An Audit of the Department of Health HIV/AIDS Administration Office (HAA) identified that HAA needs to improve monitoring and oversight of subgrantees that provide HIV/AIDS services to District residents. Lastly, our Audit of Contracting Actions for the District's Administrative Services Modernization Program identified several areas where procurement practices should be improved.

Looking to the upcoming year, the Audit Division will continue to concentrate on critical priorities, including security in our schools, financial management, contracting and procurement irregularities, and potential threats to public safety. In that regard, beginning in FY 2006, the OIG will maintain a full-time resident audit site at DCPS to conduct audits, interact with school officials for prompt resolution of identified deficiencies, and recommend corrective actions. Our resident audit site will enable the audit team to aggressively follow-up on past recommendations and advise school officials of the actions needed to resolve recurrent deficiencies. The DCPS audits we have included in our Plan for FY 2006 represent suggestions made by elected officials, the DCPS Superintendent, and our research based on previous audits of DCPS. In evaluating school issues, our plan is not to merely arrive at the technical solutions to complex problems, but to provide DCPS officials and educators with the tools to make sufficiently sound decisions to achieve positive improvements.

**Inspections and Evaluations Division.** During FY 2005, the Inspections and Evaluations Division (I&E) conducted three comprehensive inspections of District agencies, conducted a special evaluation at the behest of the City Administrator, and issued three Management Alert Reports. I&E also conducted two re-inspections and issued two re-inspection reports. Two of the inspections were conducted in the Department of Consumer and Regulatory Affairs, with a particular focus on the collection of unpaid fines and penalties, the transition of adjudication functions to the Office of Administrative Hearings, the use of paid overtime, oversight of professional and business licensing practices, and compliance with the Americans with Disabilities Act. The re-inspections were conducted in the Department of Public Works, and found that both the Parking Services Administration and the Fleet Management Administration had made substantial progress in correcting many of the deficiencies found during their initial inspections in 2001.

**Investigations Division.** During the past fiscal year, Special Agents from our Investigations Division continued a variety of investigations into allegations of criminal misconduct among District employees involved in enforcing compliance with District regulations pertaining to building and housing permits, liquor licenses, and motor vehicles. Our agents worked with the Office of the United States Attorney (USAO), the Federal Bureau of Investigation (FBI), and other investigators in bringing charges against corrupt District employees in the

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Department of Motor Vehicles, the Department of Public Works, and the Alcoholic Beverage Regulation Administration.

The Investigations Division referred 71 cases to the USAO for possible prosecution, and 14 cases to the D.C. Office of Attorney General for prosecution under laws within the jurisdiction of that office. Additionally, 46 cases were accepted by the USAO for prosecution or further investigation, and our cases resulted in 12 convictions. Investigations Division cases resulted in restitutions, fines, and recoveries of over \$9 million.

During this same time, our referral program and Hotline operation continued to respond to citizens' concerns and District employees who report waste, fraud, or abuse, or otherwise seek assistance in dealing with District agencies. In the past fiscal year we referred a record 195 matters to District agency heads, and we received 186 credible allegations of waste, fraud, and abuse through our Hotline, many of which resulted in investigations or were included in our referral program.

**Medicaid Fraud Control Unit.** The staff of the Medicaid Fraud Control Unit (MFCU) works closely with the USAO, 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 sixth year of existence, the MFCU has more than 80 matters under investigation involving allegations of fraud. The MFCU 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 recovered more than \$2.6 million that has been returned to the District and U.S. treasuries. Increased outreach efforts aimed at educating the public and professional groups involved in service provision to vulnerable populations has resulted in the receipt of 2,575 unusual incident reports, 15% more than the number received in the previous year.

In closing, I have already stated how proud I am 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. For example, at our annual audit planning conference, District officials provided valuable insight into their individual programs and challenges facing the city. Moreover, 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 improving government operations are vital and effective.

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## MESSAGE FROM CHARLES J. WILLOUGHBY INSPECTOR GENERAL

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With your assistance, we will continue to work to uncover waste, mismanagement, and fraud in the District's programs and operations, and in so doing, promote economy, efficiency, and effectiveness in those programs and operations, as well as make the District government truly an entity that does the most good for all of its residents.



Charles J. Willoughby  
Inspector General

**December 1, 2005**

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# **RISK ASSESSMENT**



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## RISK ASSESSMENT

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Every year, the Inspector General's Office, along with other local and federal oversight organizations, continues to assess and evaluate the actions taken or needed to address the risks posed to the District government. While the economic balance has changed favorably for the District in recent years, the risks remain essentially unchanged. We used a thematic approach in constructing our risk assessment, and have defined the risks within the following broad issue areas to include: the District's limited capability to expand its revenue base; the challenge of balancing spending and growing societal needs; the responsibility for maintaining and consistently delivering high-quality citizen services; the ability to operate and provide efficient and effective governmental services; and the obligation to comply with local and federal laws and regulations. Given the nature of current events, the potential for terrorism, natural disasters, and other uncontrollable events affecting the population at large, we have identified an additional risk area that is timely and, unfortunately, problematic at both the state and federal levels. This risk area, Citizen Safety and Protection, will be reflected in our audit, inspection, and investigative efforts.

The OIG work accomplished in FY 2005 addressed risks in various ways, revealing that District leaders are faced with serious challenges. Within the context of the thematic approaches discussed above, we identified program areas that we believe have the potential to continually impact District finances and operations. We will continue to place emphasis on these high risk programs in FY 2006:

- Public Schools
- Medicaid
- Vulnerable Populations
- Procurement and Contracting
- Citizen Safety and Protection

### **Public Schools**

During FY 2005, our Audit Division continued its series of reviews that largely focused on school security. With a school budget of about \$1 billion, the potential remains for waste and misuse of these public education dollars. While our audit efforts have successfully identified lapses and needed improvements in school security programs, much remains to be done to improve the delivery of vital education services and to derive the greatest benefits from scarce education resources. To that end, the Audit Division will establish a permanent audit site in FY 2006 devoted solely to reviewing public education programs. Working with public school and elected officials, we have defined an ambitious audit program. Including those audits which began before the start of FY 2006, our on-site audit team will be working on diverse education topics such as management of capital projects, overtime controls, tuition and residency requirements, procurement practices, truancy, special education programs, and other education related issues. These planned audits outline some of the high risk issues affecting the public schools; however, we will work with the school superintendent and

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## RISK ASSESSMENT

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educators to also identify and address urgent issues that could have an immediate fiscal impact on school operations.

### **Medicaid Program**

After writing off over \$100 million in non-recoverable Medicaid expenses in FY 2003, FY 2004 became the first year in which there were minimal financial losses reported on the District's participation in the Medicaid program. While there has been improvement in mitigating some of the financial losses associated with Medicaid reimbursements, the District's Medicaid programs in the Department of Health, the Department of Mental Health, and the public schools still pose substantial risks of loss, waste, or abuse associated with Medicaid-covered benefit programs and the processes for documenting and billing recoverable Medicaid expenses.

In FY 2005, we focused on two small Medicaid-related areas. However, we plan to address Medicaid issues in FY 2006 by focusing on the core areas of recordkeeping and documentation, nursing home reimbursements, transportation costs, and managed care organizations which provide Medicaid-covered services. We believe these audits demonstrate our continued commitment to perform comprehensive audits of the District's Medicaid program until the program no longer poses a significant risk.

### **Vulnerable Populations**

The District government serves a diverse population of approximately 563,000 residents. Among its more vulnerable citizens are the District's: elderly; abused, disadvantaged, and foster care children; individuals who are physically or mentally disabled; and residents affected by poverty, homelessness, unemployment, and crime. The OIG has and continues to play a role in assisting District management in addressing areas of risk in order to meet the needs of these individuals.

Each year, the Audit Division has focused a portion of its resources on audits of several social programs. In FY 2005, we performed audits covering such topics as nutrition programs (*School Breakfast Program*), environmental safety (*Detecting Lead Levels in Residential Drinking Water*), child protection and safety (*Maltreatment of Foster Care Children and a series of audits on District of Columbia Public School Security*), and physical and mental health issues (*HIV/AIDS Programs and Psychiatric Examination Requirements*). Our audits showed improvements in some areas, demonstrating that previously identified risks can be mitigated through concerted efforts. For example, our audit to detect lead levels in residential drinking water reported a marked improvement in the reduction of lead levels based on tests of water samples drawn throughout the District. Further, our audit addressing

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## RISK ASSESSMENT

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psychiatric examinations of mental health patients resulted in immediate improvements for administering periodic examinations in conformance with statutorily mandated timeframes.

Notwithstanding these successes, continued oversight is needed in the other areas covered by our audits. Accordingly, our FY 2006 audit plans include the continuing review of managed care organizations that provide Medicaid-covered medical services to more than 90,000 District residents, an assessment of the Child and Family Service Agency's (CFSA) ability to account for all foster care children, a follow-up audit on the Mental Retardation and Developmental Disabilities Program, and a review of the Department of Parks and Recreation's Before and After School Care Program. Our Inspections and Evaluations Division will also evaluate the overall sufficiency and quality of CFSA's services, with particular focus on CFSA's ability to recruit and retain a sufficient number of social workers to adequately carryout program requirements. Another evaluation (re-inspection) will be performed to assess whether the Department of Fire and Emergency Medical Services achieved improvements in emergency response times and call center responsiveness.

Similar efforts to protect some of the District's most defenseless citizens have been undertaken by our MFCU. In addition to addressing Medicaid fraud issues, the MFCU is responsible for investigating and prosecuting instances of abuse, neglect, and financial exploitation of individuals residing in Medicaid-funded health care facilities. The MFCU has seen the number of unusual incident reports increase dramatically in Medicaid-funded health care facilities in the last 2 years, and has also observed an increase in the reporting of sex crimes in such facilities. During FY 2005, MFCU investigators and attorneys sought and obtained four arrest warrants for sexual crimes against vulnerable adults. In FY 2006, the MFCU will continue efforts to investigate and prosecute all types of abuse and neglect cases, including sexual assaults. A new database that the MFCU created in FY 2005 will assist in tracking these cases for investigation and future prosecutorial actions.

The OIG's Investigations Division is also focused on an area of citizen vulnerability. Given the growing economy in the District, the Investigations Division has a concern that developers, homeowners, and businesses are increasingly vulnerable to inspectors and other city employees who apply and enforce laws and regulations for issuing permits and licenses. These permits and licenses are necessary for nearly every aspect of commercial life in the District, and govern everything from cutting down a tree to constructing and occupying a house or office building. Our investigations at various agencies have shown that certain District employees have used their power over this crucial aspect of commercial life to extort illegal payments from vulnerable citizens. Accordingly, we will continue to work with agency officials and the U.S. Attorney's Office to aggressively pursue and punish improprieties by District employees who deal with the public.

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## **RISK ASSESSMENT**

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### **Procurement and Contracting**

By statute, the OIG is charged with the responsibility for reviewing the District's procurements annually. To discharge this responsibility and to address the continuing high risks of financial loss posed by District procurement and contracting actions, the OIG has devoted a segment of its audit resources to focus on key contracting issues and allegations of procurement abuse. In FY 2005, we addressed procurement areas such as the Quick Payment Act, contracts awarded for the Administrative Services Modernization Program, and contracts awarded relative to homeland security, which underscored the high risks and financial costs associated with awarding sole source contracts.

We have included a more ambitious plan for continuous oversight of procurement and contracting issues in FY 2006. Some of those planned procurement audits include a review of the Local, Small, and Disadvantaged Enterprise (LSDBE) contracts; contract payments made using Direct Payment Vouchers; persistent and systemic problems with contract file management; costly expert and consulting contracts; and construction contracts. Other issues related to contracting and procurement will be tangentially addressed in other audits involving District contracts. In FY 2006, our Inspections and Evaluations Division will also continue evaluating several contracting and procurement commodity groups, including Human Care Supplies and Services, Professional Services, Public Safety, and other commodity groups.

### **Citizen Safety and Protection**

With the unfortunate potential for terrorist acts and the suffering and loss evident in recent natural catastrophic events, it is imperative that state and local governments develop and maintain a program for civil preparedness and planned actions to protect citizens and provide needed disaster relief/aid. Citizen protection and safety are also routine responsibilities which require that the District maintain viable police, fire, and emergency organizations to provide immediate services on a daily basis as needs arise. Accordingly, we have added Citizen Protection and Safety as a high risk area because of (1) the potential for substantial human and financial losses associated with any unforeseen natural or man-made cataclysmic event, and (2) our concerns about the need to routinely maintain a safe environment for the District of Columbia.

There is little doubt that the District government has made great strides in the last few years in strengthening its preparedness programs, including coordinating planned efforts with federal and surrounding local jurisdictions, to respond effectively and quickly to an emergency. Additionally, the District has also improved local policing and security programs. Given the importance of this issue and its associated risks, our FY 2006 audits and inspections will include reviews of several aspects concerning citizen protection and safety, to include: a review of the use of appropriated funds to develop and lead interagency

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## **RISK ASSESSMENT**

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public safety programs; the effectiveness of the Unified Communications Center in responding and dispatching emergency and non-emergency calls; the effectiveness of the Metropolitan Police Department's Community Policing program, including interaction with local neighborhoods and its effects on reducing crime; the District's policies and procedures for protecting its citizens from identity theft; and the systems in place to prevent the erroneous release of dangerous inmates back into the community.



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## **GENERAL ACTIVITIES**



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## **GENERAL ACTIVITIES**

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### **MISSION**

The District of Columbia Office of the Inspector General (OIG) has a three-pronged statutory mission. According to D.C. Code § 2-302.08(a-1) (2001), the OIG shall independently:

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

The OIG statute further provides that the OIG must report evidence of criminal misconduct to the U.S. Department of Justice where the Inspector General has reasonable grounds to believe that there has been a violation of federal or District criminal law. The OIG refers evidence of administrative misconduct to the Mayor or agency head, as appropriate.

### **STATUTORY RESPONSIBILITIES**

To accomplish the OIG's mission, investigators, auditors, and inspectors rely upon the agency's statutory access to the records, accounts, documents, and property of other agencies within the Executive Branch of the District of Columbia government. The OIG is also empowered to issue subpoenas for witness testimony and documentation for any matter under investigation and, where necessary, the OIG may enforce these subpoenas in the District of Columbia Superior Court. In cases where a District government employee or contractor refuses to cooperate with a request from the OIG for 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.

As the OIG is a subordinate agency within the District government, it is by definition under the administrative control of the Executive Office of the Mayor (EOM). However, one of the distinguishing features of the OIG is its mandate to conduct its audits, investigations, and inspections independently, without outsider interference or influence. To buttress the agency's independence, the OIG has statutory budget autonomy, which specifically prohibits

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## GENERAL ACTIVITIES

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the Mayor and the D.C. Council from revising the OIG's budget submissions; rather, the D.C. Council may only comment on or make recommendations to the OIG's annual budget estimates. The OIG strictly adheres to this fundamental precept of independence in order to assure the credibility and integrity of the OIG's findings and recommendations.

D.C. Code § 2-302.08 (2001) additionally places several responsibilities upon the OIG to carry out each year. These responsibilities include the following:

- Independently initiating and conducting fiscal and management audits, inspections, and investigations of District government operations deemed necessary or desirable by the Inspector General, as well as independent audits, inspections, and investigations requested by the Mayor.
- Serving as the liaison representative for all external audits of the District government and as the principal liaison between the District government and the U.S. General Accountability Office.
- Conducting an annual operational audit of District government procurement activities.
- Forwarding to appropriate authorities reports of criminal or administrative misconduct, which the OIG discovers as the result of an OIG audit, inspection, or investigation.
- Contracting with an outside auditing firm to perform the Comprehensive Annual Financial Report (CAFR) of the District government for the previous fiscal year.
- Notifying the Mayor of evidence of criminal misconduct reported by the OIG to the U.S. Attorney's Office, as appropriate, and within a reasonable time period.
- Administering oaths, affirmations, and affidavits.

Several federal and local legislative acts have combined to form the OIG's current set of statutory responsibilities. In 1986, the D.C. Council established the OIG's statutory duties through the D.C. Procurement Practices Act of 1985 (D.C. Law 6-85, effective Feb. 21, 1986). Approximately 10 years later, the U.S. Congress substantially modified the OIG's responsibilities with the passage of the D.C. Financial Responsibility and Management Assistance Act of 1995, Pub. L. No. 104-8, § 303 (adopted Apr. 17, 1995). The D.C. Council's Office of the Inspector General Law Enforcement Powers Amendment Act of 1998 (D.C. Law 12-190, effective Mar. 26, 1999) enlarged the OIG's law enforcement powers. Specifically, OIG criminal investigators were empowered to carry firearms in the District of

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## GENERAL ACTIVITIES

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Columbia while engaged in the performance of official duties, make arrests without a warrant for felony violations committed in their presence in the District, and execute search warrants issued upon probable cause.

The D.C. Council amended the OIG's statute once again in 2000 via the Office of the Inspector General Powers and Duties Amendment Act of 1999 (D.C. Law 13-71, effective Apr. 5, 2000). This Act codified the OIG's mission statement and required the OIG to comply with generally accepted auditing, inspection, and investigation standards. Additionally, every third year, the OIG must undergo a peer review that provides a thorough assessment of the OIG's audit, inspection, and investigative standards, policies, procedures, and quality controls. The Act also provided the OIG with access to the papers, documents, and other property belonging to, or in use by, District government subordinate and independent agencies, excluding the D.C. Council and the District of Columbia Courts. Further, the OIG statute was amended to include the agency's responsibility to recommend administrative sanctions against employees or contractors who refuse to cooperate with official OIG investigations. Finally, the Act codified the OIG's policy of non-disclosure of the identity of complainants or individuals providing information to the OIG, unless the Inspector General determines that disclosure is unavoidable or necessary to further the ends of an investigation.

### **FY 2005 LEGISLATIVE ACTION REGARDING THE OIG STATUTE**

In FY 2004, the D.C. Council instituted a series of legislative acts designed to amend the term of the Inspector General. Totalling six bills and resolutions, the Inspector General Appointment and Term Clarification Amendment Acts (Resolution 15-313, Emergency Bill 15-562, Temporary Bill 15-563, Emergency Bill 15-709, Resolution 15-439, and Permanent Bill 15-566) added 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. The U.S. Congress passed the permanent bill (D.C. Act 15-503), with an effective date of December 7, 2004. The amendments fix the 6-year term for each Inspector General so that appointees to unexpired terms serve the remainder of their predecessor's terms and require that the Mayor's decision to remove an Inspector General for cause must be agreed to by a super-majority of the D.C. Council.

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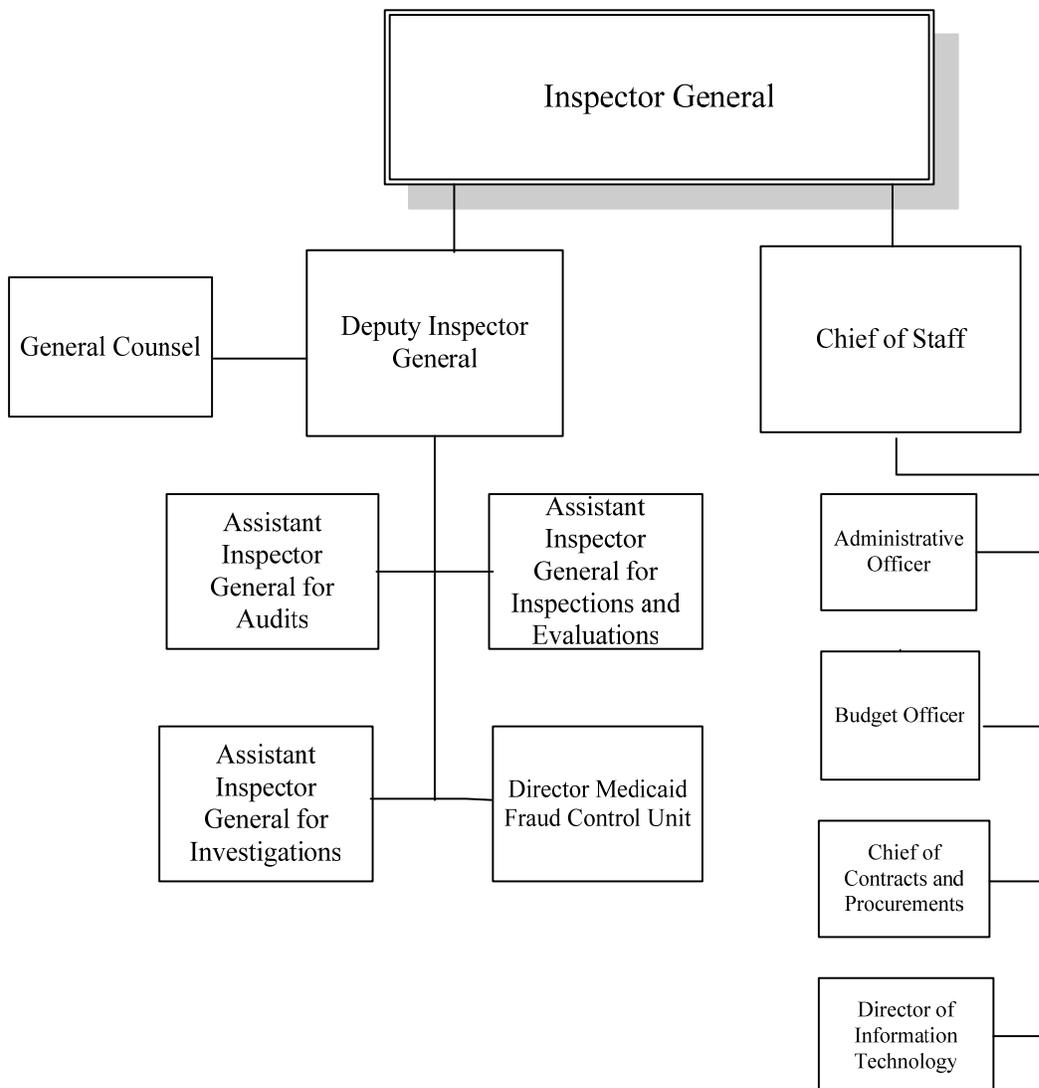
## GENERAL ACTIVITIES

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### ORGANIZATION

The OIG is comprised of the Inspector General, the Deputy Inspector General, the General Counsel, the Chief of Staff, and four divisions, which are: the Audit Division; the Investigations Division; the Inspections and Evaluations Division; and the Medicaid Fraud Control Unit (MFCU). An Assistant Inspector General (AIG) leads each Division and a Director leads the MFCU. All executives report directly to the Deputy Inspector General, except for the Chief of Staff, who reports to the IG. Reporting to the Chief of Staff are the Budget Officer, the Chief of Procurement, the Administrative Officer and the Director of Management Information Technology. The following organizational chart depicts the reporting hierarchy.



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## GENERAL ACTIVITIES

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### BUDGET AND PERSONNEL

The Office of the Inspector General's FY 2005 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 of its budget (\$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 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.

### TRAINING

The OIG recognizes that the quality and effectiveness of its products is 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 2005 by OIG personnel are summarized as follows:

<u>Type of Training</u>	<u>No. of Courses Taken By Various Employees</u>
1. Audit	12
2. Investigative	11
3. Inspections	05
4. Medicaid/Health Care Fraud	15
5. Computer	10
6. Legal	05
7. Human Resource Management	05
8. Office Management/Administrative	16
9. Management Supervisory	<u>11</u>
<b>Total training courses:</b>	<b>90</b>

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## GENERAL ACTIVITIES

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### SENIOR STAFF

Senior staff positions were occupied as follows:

7/18/05 – present:	<b>Inspector General</b> Charles J. Willoughby
1/1/04 – 7/17/05:	<b>Interim Inspector General</b> Austin A. Andersen
2/28/00 – present:	<b>Deputy Inspector General</b> Austin A. Andersen
1/1/04 – 7/17/05:	Karen E. Branson (Acting)
12/31/00 – present:	<b>General Counsel</b> Karen E. Branson
12/31/00 – present:	<b>Deputy General Counsel</b> Victoria L. Lucchesi
10/4/04 – present:	<b>Chief of Staff</b> Vacant
2/10/03 – present:	<b>Assistant Inspector General for Investigations</b> Robert G. Andary
5/15/98 – present:	<b>Deputy Assistant Inspector General for Investigations</b> Alfred Miller
6/18/00 – present:	<b>Assistant Inspector General for Audits</b> William J. DiVello
7/16/00 – present:	<b>Deputy Assistant Inspector General for Audits</b> Cheryl L. Ferrara
6/21/99 – present:	<b>Assistant Inspector General for Inspections &amp; Evaluations</b> Alvin Wright, Jr.
9/30/04 – 10/16/04:	<b>Deputy Assistant Inspector General for Inspections &amp; Evaluations</b> Vacant
10/17/04–10/14/05:	Lawrence Perry

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## GENERAL ACTIVITIES

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4/18/04 – present:	<b>Director of Medicaid Fraud Control Unit</b> Susan B. Kennedy
9/20/04 – present:	<b>Deputy Director of Medicaid Fraud Control Unit</b> Jane Drummey
3/12/93 – present:	<b>Administrative Officer</b> Grace Y. Price
3/16/98 – present:	<b>Budget Officer</b> Ranee Phillips
9/9/01 – present:	<b>Supervisory Contracts Specialist</b> Russell Symons
2/17/98 – present:	<b>Supervisory Information Technology Specialist</b> Lesly Valentin

### **TESTIMONY BY THE INSPECTOR GENERAL FOR FISCAL YEAR 2005**

As a result of OIG audits, inspections, and investigations, we are often asked to provide information to our stakeholders. Copies of the testimonies delivered in FY 2005 can be accessed on our website. Appendix A contains the topics and dates of OIG testimony presented before the City Council.

### **PRESS HIGHLIGHTS FOR FISCAL YEAR 2005**

The OIG's work in District agencies is often recognized and reported on by local news organizations. It is our hope that media coverage will increase public awareness about the OIG's mission and our efforts to fulfill this mission, as well as encourage government efforts to correct reported deficiencies. Appendix B contains a selection of media highlights covering the OIG's work during FY 05.

### **WEBSITE**

The OIG website ([www.oig.dc.gov](http://www.oig.dc.gov)) is a key resource that provides information about our operations and access to public documents, which include audit and inspection reports, press releases, notices regarding completed investigations, annual reports, testimony, and requests for proposals. The website also explains the OIG's legislative authority, describes our organizational structure, including the biographies of key personnel, and suggests the type of information individuals should provide to us when reporting fraud, waste, abuse, and mismanagement.



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**FISCAL YEAR 2006 AUDIT AND INSPECTION PLAN**



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## FISCAL YEAR 2006 AUDIT AND INSPECTION PLAN

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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 2006 Plan includes audits and inspections ongoing as of September 1, 2005. A copy of our annual plan can be accessed via our website at [www.oig.dc.gov](http://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.

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

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

The OIG has and continues to play a role in assisting District management in addressing areas of risk. As such, we have developed six strategic themes that will govern our operations, help us achieve our mandated mission, and further the Mayor's strategic initiatives. These themes are:

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

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## FISCAL YEAR 2006 AUDIT AND INSPECTION PLAN

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For FY 2006, we added the sixth theme, District of Columbia Public Schools (DCPS) Programs, and we have dedicated an audit directorate solely to conducting audits of DCPS operations. This new division will be located on-site at DCPS.

As has been our practice, formulation of the Plan began with the initiation of the annual planning conference held in July, 2005. To ensure that FY 2006 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 to speak about their concerns or serve as discussion panelists, and offer a critique of our audit process. We also had members of the Government Accountability Office conduct a training session: Assessing the Reliability of Computer-Generated Data. Speakers and panelists included: Suzanne Peck, Chief Technology Officer for the District of Columbia; Donna Cooper, Clerk for the Committee on Government Operations for the Council of the District of Columbia; Dr. Clifford B. Janey, Superintendent for the District of Columbia Public Schools; Edward D. Reiskin, Deputy Mayor for Public Safety and Justice; and Robert Maruca, Senior Deputy Director for the Department of Health's Medical Assistance Administration.

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.

We have undertaken an ambitious Plan, shaped in part by concerns raised by District leadership. Accordingly, our Plan reflects ideas and suggestions from the Mayor's office, Council members, District agency officials, and others. The listing of a particular audit or inspection in the Plan does not necessarily mean that problems exist or guarantee that a review will be undertaken. The reality of having limited resources and the unknown priorities arising from exigencies throughout the year often determine which audits or inspections can ultimately be initiated in any fiscal year. The Plan is designed to address audit areas that transcend a given fiscal year until identified risks facing the District are mitigated. It is our hope that District managers will use the Plan to help further identify risk areas within their respective agencies so that they may begin to address issues identified herein, or previously reported, and begin to take actions to improve operational efficiencies before our audit or inspection.

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## **ACTIVITIES OF THE AUDIT DIVISION**



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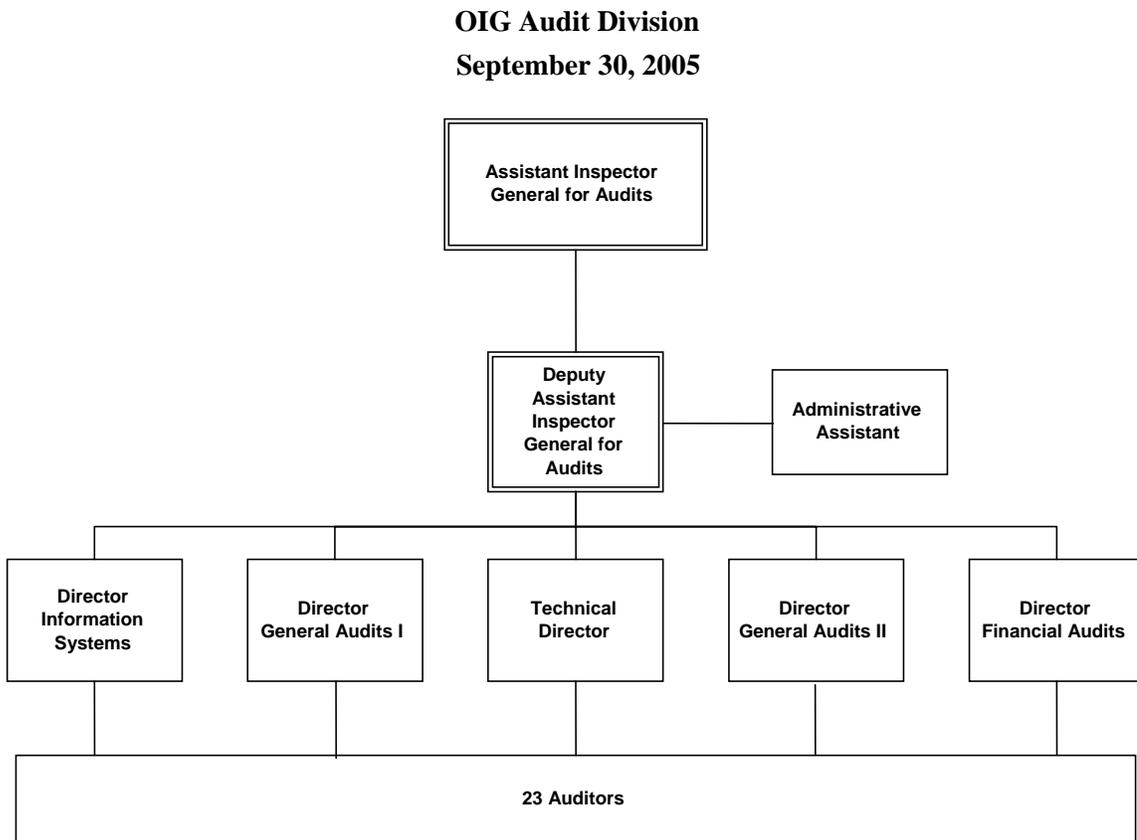
## AUDIT DIVISION ACTIVITIES

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### 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,

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## **AUDIT DIVISION ACTIVITIES**

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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.

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 protecting or using 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. Additionally, the OIG has been recognized in publications issued by N.A.L.G.A. and the Association of Inspectors General.

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## ACTIVITIES OF THE AUDIT DIVISION

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### VOLUNTEER EFFORTS

The Audit Division is proud to report that eight staff members participated in the District's Everybody Wins! D.C. Program. Everybody Wins! D.C. is a privately funded, non-profit organization devoted to promoting children's literacy and a love of learning through shared reading experiences with caring individuals. Everybody Wins! D.C. is the largest grassroots children's literacy and mentoring program in the Washington Metropolitan area. Members of our staff were paired with students at a local elementary school, and once a week on their lunch hour, would attend a "Power Lunch Program" where they would read with students, not only to improve reading skills, but to foster enthusiasm for reading. Pictured at right is Inspector General Charles J. Willoughby with Everybody Wins! D.C. participants from the OIG. From left to right: Kenneth Bates, Cheryl Ferrara, Charles Willoughby, William DiVello, Dinell Arnold, and LaDonia Wilkins. (Not pictured: Elizabeth Valentin, Mario Jenkins, and Roy Simmons.)



Inspector General, Charles Willoughby thanks Everybody Wins! D.C. participants

### 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 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.

### ACQUIRING, DEVELOPING, AND RETAINING TALENT

Human capital management is critical to the organization's future success. The Audit Division's Technical Directorate, as well as individual Directors, continually work to identify the best ways to address the staffs' education needs and to identify core training programs. Through training and employee development, we strive to acquire, develop, and retain talent. We also consult with private-sector corporations, academic institutions, and other experts to identify best practices. For example, at our FY 2006 Annual Audit Planning Conference executives from the Government Accountability Office (GAO) conducted training on

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## ACTIVITIES OF THE AUDIT DIVISION

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Computer Data Reliability. Specifically, coursework covered reporting and disclosure requirements, data reliance, and tests of data.



Cheryl Ferrara and LaDonia Wilkins  
represent OIG at SEU Job Fair

Additional strategies employed in the Audit Division include expanding the recruiting program, creating promotion advancement opportunities, and enhancing workplace benefits. In that regard we participated in Southeastern University's (SEU) Annual Job Fair, held on October 26, 2005, at the SEU campus. OIG audit staff was available to discuss employment opportunities and provide literature on the OIG mission, vision, and values, as well as an overview of our audit products and accomplishments.

### THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

**CAFR Oversight Committee.** To oversee the CAFR, the OIG established the Comprehensive Annual Financial Report Oversight Committee (Committee). A charter identifying the Committee's purpose, composition, meeting schedule, and responsibilities governs the Committee, which assists the OIG in fulfilling its oversight responsibility by monitoring the progress of the audit and addressing any issues that may arise from the audit, or 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 representatives 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.

**FY 2004 CAFR.** KPMG issued an Independent Auditors' Report on January 24, 2005. With the issuance of the FY 2004 CAFR, the city received its eighth consecutive unqualified opinion on its financial statements. This CAFR was also issued ahead of its due date of February 1, 2005, which we perceive to be an indication that producing the District's CAFR has matured into an effective, if not routine, process.

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## ACTIVITIES OF THE AUDIT DIVISION

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On April 2, 2005, the OIG provided KPMG's FY 2004 Management Letter, which is a companion document to the Independent Auditors' Report that identifies 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 reportable conditions in the management of the Disability Compensation Program and Unemployment Compensation Claimant File Management.

FY 2004 was the last year for which KPMG was eligible to perform the audit of the District's CAFR, without a break in service, due to legislation limiting the number of consecutive years an accounting firm can be awarded the contract.

On May 1, 2005, the OIG awarded a contract to BDO Seidman, LLP to perform the FY 2005 CAFR audit. This contract contains four option years. Members of the Executive Office of the Mayor and the Council who sit on the CAFR oversight committee worked with the OIG to evaluate the technical proposal of the contract. BDO Seidman began fieldwork on the FY 2005 CAFR in August 2005.

### 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 processes and quality controls within the Audit Division, including an update of the OIG Audit Handbook.

### 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. 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. We

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## ACTIVITIES OF THE AUDIT DIVISION

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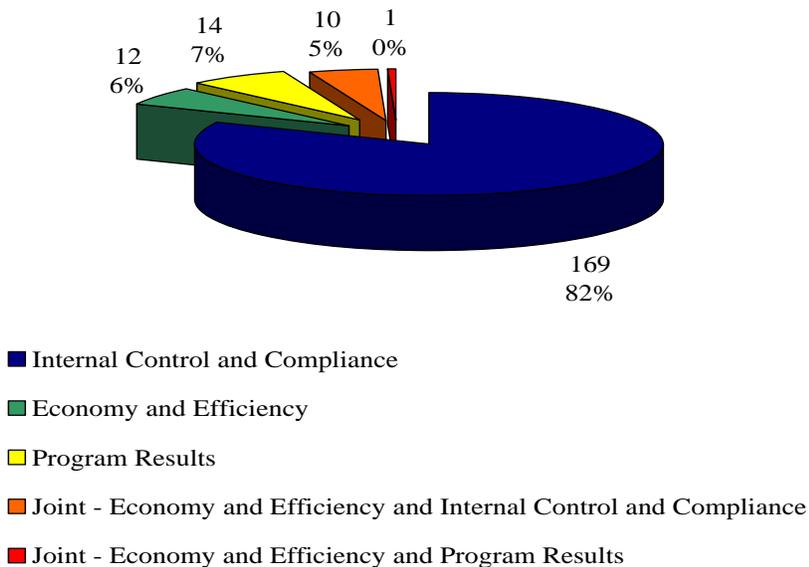
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will continue to work toward process improvements in measuring our productivity and performance. The results of our performance measures are shown in Appendix C.

### SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDITS

For FY 2005, we issued 51 reports with total potential monetary benefits exceeding \$28 million. Comparing these to Audit Division costs of approximately \$2.3 million results in a return on investment for audits performed by OIG audit staff exceeding \$12 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. This category includes 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 identifies the number of recommendations by category.



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## ACTIVITIES OF THE AUDIT DIVISION

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### AUDIT AGENCY/OFFICE COVERAGE

The Audit Division issued 29 final reports in FY 2005, as well as 22 Management Alert Reports (MARs). Audits performed were conducted as part of our FY 2005 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, address noted deficiencies, and 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 2005.

### AUDIT FOLLOW-UP

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. Based on this standard, coupled with the importance that we place on implementation of audit recommendations, we have included a performance measure to track audit recommendations so that we can assess the progress of corrective actions.

#### *Triennial Follow-up Audit*

In FY 2005, the Audit Division conducted its triennial *Audit of District Agencies' Implementation of Audit Recommendations* (OIG No. 05-1-17MA). This report was issued on August 16, 2005. The report covered 337 recommendations made to District agencies during FYs 2002 – 2004. In total, 514 recommendations were made during the three years covered in the review. Our review identified that District agency officials reported to the OIG that action had been completed to address 259 of the 337 (77 percent) recommendations reviewed. The OIG verified documentation for 162 of these 259 recommendations to ensure that actions were actually completed and adequately closed the recommendation. The next District-wide audit is scheduled to be completed in FY 2008. Details on the 78 open audit recommendations as of September 30, 2004, is included at Appendix E.

#### *FY 2005 Audit Recommendations*

For FY 2005, the Audit Division made a total of 206 recommendations to District management. As these reports have been recently issued, we plan to conduct follow-up reviews in subsequent reporting periods at these agencies, and to work in conjunction with the Executive Office of the Mayor to ensure that actions are taken to address recommendations made. Appendix F provides further information regarding audit recommendations for FY 2005.

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## ACTIVITIES OF THE AUDIT DIVISION

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### 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:

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

A summary of FY 2005 reports is included at Appendix G. 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 Department of Motor Vehicles' Participation in the International Registration Plan (IRP) and the International Fuel Tax Agreement (IFTA), OIG No. 04-2-07KV(a), issued December 13, 2004.**

Our audit indicated the DMV did not take full advantage of existing revenue-generating options estimated at \$3.3 million annually, and did not implement available cost-savings options. In particular, the DMV did not pursue revenue-generating activities commonly used by similar DMV jurisdictions, namely: (1) assessing a fee for tour bus use of the District's physical infrastructure; (2) levying Trip Permit fees for non-licensed apportioned vehicles;<sup>1</sup>

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<sup>1</sup> An apportioned vehicle is one used or intended for use in two or more member jurisdictions, which is

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## ACTIVITIES OF THE AUDIT DIVISION

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(3) increasing IRP fees for apportioned vehicles, and (4) participating in the IFTA program. As a result, over \$3.345 million in potential revenue is lost annually to the District. Also, the DMV's IRP program has not taken advantage of the IRP Clearinghouse to reduce those costs associated with payment of IRP fees to jurisdictions, as well as IRP payments received from other jurisdictions.

Similar cities hosting high volumes of tourists that are serviced by the tour bus industry routinely charge a fee for use of their infrastructure. By not following this practice, the District loses over \$3 million in annual revenues. Further, the majority of IRP jurisdictions charge a Trip Permit fee for access and use of their jurisdiction's roads by non-apportioned vehicles.<sup>2</sup> Additionally, the DMV has not updated its IRP fee schedule for apportioned vehicles licensed in the District to reflect current costs and to be in parity with other jurisdictions, which would result in additional revenues totaling at least \$45,327 annually. Moreover, by not participating in the IFTA program, the District's DMV is losing at least \$300,000 annually in IFTA fuel tax revenue from taxes paid for fuel consumed on the District's roadways.

We directed eight recommendations to the DMV Director that we believe should improve the operations of the agency.

### 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 ongoing audits that address the efficiency of operations at the District of Columbia Public Schools (DCPS) and the Department of Public Works. For FY 2006, we plan to review programs related to the Department of Mental Health, the Child and Family Services Agency, and the University of the District of Columbia, as well as infrastructure issues such as capital improvement and vehicle acquisition. We will also concentrate on procurement 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.

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designed, used, or maintained primarily for the transportation of property or passengers.

<sup>2</sup> A non-apportioned vehicle is one registered in another IRP jurisdiction for which IRP fees have not been paid for access and use of, in this situation, District roadways.

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## ACTIVITIES OF THE AUDIT DIVISION

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### **Audit of the Department of Housing and Community Development's (DHCD) Management of Cash Advances to the Greater Washington Urban League (GWUL), OIG No. 02-1-09DB(e), issued January 24, 2005.**

This report contains two findings. Specifically, we found that DHCD provided GWUL excessive cash advances such that GWUL maintained monthly balances of cash averaging approximately \$2.1 million for a period of 60 months ending September 2002, even though GWUL cash requirements averaged only \$.5 million for the same period. Further, the cash advances were disbursed by DHCD even though requirements for cash advances were not established. In one month, for example, the DHCD cash advance balances were more than \$4.7 million and exceeded the GWUL cash requirements of \$558,000 by more than \$4.1 million. Consequently, although excessive cash advances declined in FYs 2001 and 2002, DHCD lost the opportunity to use as much as \$1.5 million on average for other productive District purposes over the 60-month period. Further, the excessive cash advances may have caused the District to lose approximately \$160,000 in interest.

The GWUL did not submit complete, timely, and accurate annual year-end closeout packages and payments to DHCD for cash advances or remaining cash held by GWUL at the end of a grant year, when cash advances exceeded that organization's annual costs for the particular grant year. As a result, funds due the District of Columbia were not repaid within reasonable time periods, and were unavailable for the District's use for other productive purposes. Further, those unused funds incurred interest costs to the District of Columbia as discussed in Finding 1. Finally, \$25,598 from the 1998 grant year was not paid to DHCD until the funds were identified by this audit. In addition, we noted the following internal control weaknesses: a need for provisions and procedures in the grant agreement for the management of cash advances and annual year-end closeouts; a need for a requirement that annual year-end closeout packages be submitted; and a need for DHCD published guidance concerning the management of cash advances and annual year-end closeouts.

We directed 12 recommendations to the Director, Department of Housing and Community Development that we believe are necessary to correct the deficiencies noted in this report.

### **DELIVERY OF CITIZENS SERVICES**

In the last few years, we have increased our audit coverage of agencies responsible for delivery of essential citizen services. In FY 2005, 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.

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## ACTIVITIES OF THE AUDIT DIVISION

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### **Audit of Suspected Incidents of Foster Children Maltreatment Reported to the District of Columbia Child and Family Services Agency (CFSA), OIG No. 03-2-11RL, issued March 2, 2005.**

Our audit found that CFSA needs to improve the management and oversight of suspected child maltreatment or abuse incidents at foster care facilities/homes. Our review showed that CFSA does not do a thorough job of investigating, documenting, and reporting suspected child maltreatment incidents, and is not effectively monitoring the conditions under which care is provided at foster care facilities/homes. Specifically, we found that:

- reports of suspected child maltreatment incidents prepared by CFSA personnel had not been reported to and maintained by CFSA at a central location;
- foster care providers did not always report suspected maltreatment incidents to CFSA in the required timeframe;
- official documentation had not been obtained to determine the cause of death for child fatalities or to review and evaluate for quality assurance purposes;
- reports of suspected maltreatment incidents accepted for investigation were not always completed by the required completion date;
- investigations of suspected maltreatment incidents for children in CFSA's custody, physically located in a jurisdiction other than the District of Columbia, had not been monitored for completion, results, and recommendations; and
- abscondence incidents were not always reported to the CFSA Hotline for evaluation and tracking purposes in FACES.

As a result of CFSA's inability to effectively manage reports of suspected maltreatment incidents, these children are placed at an increased risk of harm. Further, there is no assurance that all suspected child maltreatment incidents are reported in a timely manner, properly documented, and/or investigated by CFSA, and that the most effective health and safety services are being provided to the children involved in such an incident. We addressed seven recommendations to the Interim Director, CFSA, that we believe are necessary to address the concerns described above.

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## ACTIVITIES OF THE AUDIT DIVISION

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### **Benchmarking School Security of the District of Columbia Public Schools, OIG No. OIG 03-2-14GA (d), issued March 21, 2005.**

Overall, the benchmarking review confirmed the following observations:

- Four out of six school security programs use in-house security personnel. The exceptions, DCPS and Atlanta Public Schools (APS), use contracted security personnel to provide security for its schools.
- Compared to the school jurisdictions that use in-house school security services, DCPS and APS have the highest per-student expenditure for security and rank second and fifth, respectively, in total FY 2004 budget for school security.
- Three of the six school jurisdictions benchmarked do not use metal detectors or x-ray scanners in the schools. DCPS uses both metal detectors and x-ray scanners throughout their public schools.
- The method of tracking attendance varies by school jurisdiction. Three of the six school jurisdictions utilize an automated student accountability system to account for students on a daily basis. DCPS has begun preliminary development of an automated student accountability system.
- Implementation of the No Child Left Behind Act (NCLBA) initiatives that identify persistently dangerous schools vary by the approach taken for each school jurisdiction, with the Philadelphia Public School System taking an aggressive approach to implementation. DCPS has been slow in responding to the NCLBA.
- All of the school jurisdictions developed student intervention and prevention programs. One exemplary program in particular was the Philadelphia Public School System which had a grants office that aggressively sought additional monies to secure additional resources for the schools.
- Three out of six security programs have direct coordination with their local police departments. DCPS also has coordination between its school security program and the Metropolitan Police Department, which provides additional assistance and personnel to area schools.
- Three out of six school jurisdictions have developed a comprehensive security incident reporting system. DCPS has taken steps to develop a comprehensive incident reporting system and improvements are forthcoming.

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## ACTIVITIES OF THE AUDIT DIVISION

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### **Audit of the Department of Health HIV/AIDS Administration (HAA) Office, OIG No. 04-2-05HC, issued June 22, 2005.**

The audit identified that HAA needs to improve monitoring and oversight of subgrantees that provide HIV/AIDS services to District residents. We found that grant monitors did not perform the required number of site visits, prepared questionable site visit reports, inadequately maintained subgrantee files, failed to ensure that subgrantees were providing services as agreed, and did not sufficiently ensure that monitors perform their duties.

We also found that HAA did not ensure that subgrantees were operating under proper District licensure. In fact, some subgrantees' Articles of Incorporation had been revoked. Additionally, HAA did not ensure that Medicaid-eligible subgrantees were certified to receive Medicaid funding (reimbursement) before requests for reimbursement were provided from grant funds. Further, HAA did not always provide timely reimbursements to subgrantees, and in some cases, took over 90 days to reimburse subgrantees.

Lastly, we found that fiscal accountability over grant budgets and expenditures was inadequate. There were few internal controls in place to ensure that HAA effectively and efficiently used HIV/AIDS grant funding. HAA could not provide us with budget and expenditure information related to individual grants.

As a result of our audit, we directed 16 recommendations for necessary actions to correct the described deficiencies.

### **SUPPORT SERVICES**

This issue area encompasses personnel matters, benefits, hiring practices, and personnel and payroll systems.

### **Audit of Contracting Actions for the District's Administrative Services Modernization Program, OIG 04-1-12MA, issued May 3, 2005.**

Our audit identified numerous deficient procurement practices involving over \$15 million in contracts awarded by the Office of Contracting and Procurement (OCP) personnel assigned to the Office of the Chief Technology Office (OCTO). We found that OCP inappropriately awarded sole source/labor-hour contracts to information technology consultants; limited competition to only a small number of available competitors; failed to conduct and document procurement procedures as required by Title 27 of the District of Columbia Municipal Regulations (DCMR); and neglected to designate a Contracting Officer Technical Representative (COTR)/contract administrator to monitor the contractor's performance. Further, we found deficient procurement practices in competitive awards made by OCP and

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## ACTIVITIES OF THE AUDIT DIVISION

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OCTO. As a result, the District government cannot be assured that these contracts were awarded on a fair and reasonable price basis or that the District received the best value for the contracted services. Additionally, potential monetary benefits of at least \$589,000 may have been realized for procurements totaling about \$2.5 million had sole source contracts been awarded competitively.

We also found that OCP and OCTO did not always follow District laws and regulations in awarding IT contracts. Specifically, contracts exceeding \$1 million were awarded without being submitted to the Council for review and approval. Additionally, we found that OCTO obtained and authorized services worth over \$1 million, without valid written contracts.

We directed nine recommendations to OCP that centered in part on adhering to District contracting regulations to ensure that all proposed sole source contracts are reviewed and approved before contract execution; that sole source contracts are awarded only after there is assurance that selected vendors are the best choice to provide services to the District in the most efficient and economical manner; and that contract files contain documentation to support that sole source contracting is adequately justified.

We also directed one recommendation to OCTO that centered on discontinuing the practice of obtaining contractual services without a written and valid contract, which improperly obligates District funds.

### **Audit of Elevated Levels of Lead in the District's Drinking Water, OIG No. 04-2-17LA, issued January 5, 2005.**

WASA's current initiatives concerning elevated lead concentrations in the District's tap water are worthy of note. However, past management actions taken by WASA officials in response to levels of elevated lead contaminants show that WASA could have been better prepared to deal with the issues. Specifically, improvements can be made to better ensure the safety and health of residents and timely and accurate reporting to regulatory and oversight officials. These improvements center on: 1) WASA's annual monitoring efforts; 2) WASA's lead service line replacement efforts; and 3) WASA's communication efforts. We directed 12 recommendations to WASA that we believe are necessary to correct the deficiencies noted in this report.

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## ACTIVITIES OF THE AUDIT DIVISION

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### 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 Comprehensive Annual Financial Report (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 by various business institutions. In addition to providing oversight of the CAFR, we normally conduct audits of several funds as required by District and federal laws. Highlights of these mandated audits conducted in FY 2005 are shown below.

#### **Comprehensive Annual Financial Report of The Government of The District Of Columbia For The Fiscal Year Ended September 30, 2004, OIG No. 05-1-12MA, issued January 24, 2005.**

On January 24, 2005, as part of the CAFR, KPMG LLP issued its opinion on the District of Columbia's financial statements for the fiscal year ended September 30, 2004. The financial statements, received an unqualified, or "clean," audit opinion from KPMG LLP. This is the eighth consecutive year the District has earned an unqualified audit opinion.

#### **Report on The Examination of The District of Columbia's Highway Trust Fund Forecast Statements For Fiscal Years 2005 - 2009 With Actual Audited Figures For FY 2004, OIG No. 04-1-22KA(a), issued May 31, 2005.**

The Office of the Inspector General has completed an examination of the District of Columbia Highway Trust Fund's 5-year forecast of expenditure conditions and operations. The District Department of Transportation administers the Highway Trust Fund (Fund) for the District of Columbia government and is responsible for preparing the forecast.

Our examination included a review of existing internal controls for the purpose of expressing an opinion on the accompanying forecasted statements. Although we found no instances of noncompliance that would be reportable under generally accepted government auditing standards, the objective of our review was not to provide an opinion on overall compliance with such provisions.

In our opinion, the forecasted statements referred to above are 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 provide a reasonable basis for the 5-year forecast.

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## ACTIVITIES OF THE AUDIT DIVISION

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In fiscal years 2007 through 2009, the OIG identified the potential for a spending deficit in the Fund based on current revenue assumptions and expenditures for approved projects. In order to avoid violations of the Anti-Deficiency Act, which prohibits expenditures in excess of appropriations, DDOT will modify the Capital Improvement Program by postponing the start of projects.

### **SUMMARY OF MANAGEMENT ALERT REPORTS**

On May 18, 2005, the OIG issued individual Management Alert Reports (MARs) to the 22 agencies included in our triennial audit of District Agencies' Implementation of Audit Recommendations. We conducted our follow-up audit of selected District agencies to determine whether previously made audit recommendations had been implemented. The overall objectives of the audit were to determine: (1) whether agencies have implemented agreed-to recommendations that were intended to correct reported deficiencies; and (2) whether the reported deficiencies have actually been corrected. The audit included review and evaluation of corrective actions taken by management on 337 recommendations made in 51 audit reports that were issued to 22 separate District agencies in the 3-year period from October 1, 2001, through September 30, 2004.

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**ACTIVITIES OF THE INSPECTIONS  
AND EVALUATIONS DIVISION**



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## ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION

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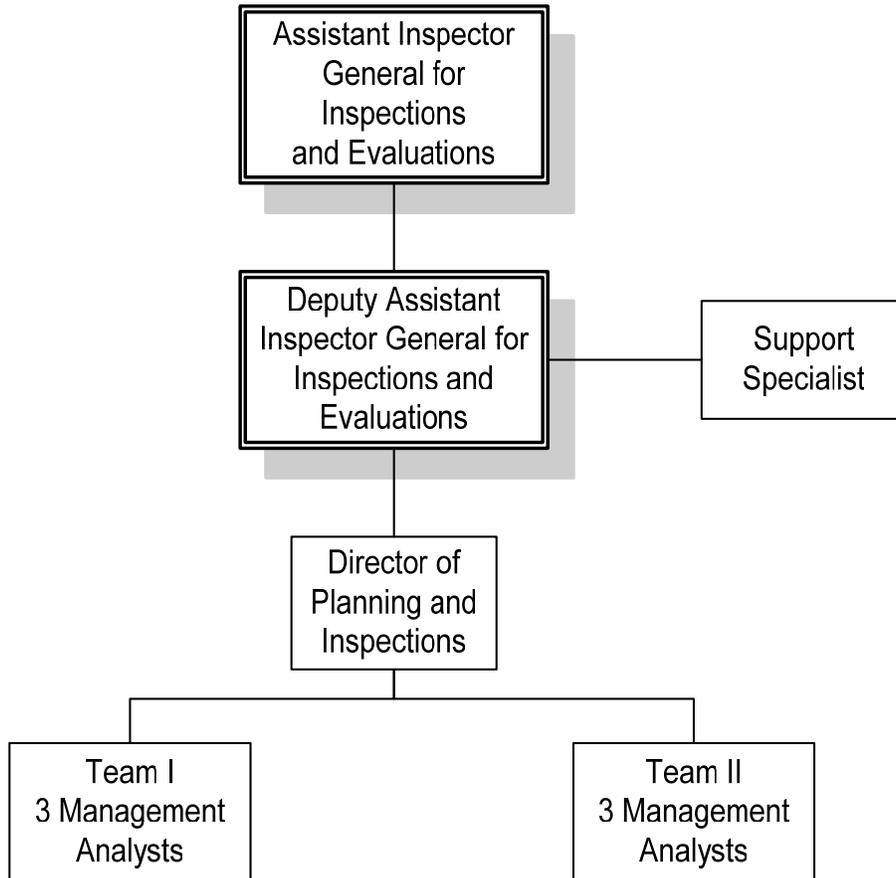
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### ORGANIZATION AND MISSION

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 (DPI). The AIG sets policy and, through the DAIG, provides leadership and direction to the Division. The DPI 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, 2005



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## **ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION**

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I&E is responsible for conducting inspections of District government agencies and programs. An OIG inspection is a process that evaluates, reviews, and analyzes the management, programs, and activities of a District department or agency in order to provide information and recommendations that will assist managers in improving operations, programs, policies, and procedures. Inspections provide senior managers with an independent source of factual and analytical information about vital operations, measuring performance, assessing efficiency and effectiveness, identifying areas of mismanagement, fraud, waste, and abuse. Inspection results are published in a Report of Inspection (ROI) and in Management Alert Reports (MAR). The OIG provides a MAR 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. I&E also conducts re-inspections to follow-up on and monitor agency compliance with the Inspector General's recommendations.

### **CREDENTIALS AND QUALIFICATIONS**

The Inspections and Evaluations Division has six inspectors and a support specialist. All employees, including managers, inspectors, and the support specialist, have four-year degrees from an accredited college or university—and in some instances graduate degrees—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, managers, or program managers. Upon entering on duty, new inspectors receive both formal job-specific training at the graduate level, as well as specific on-the-job training in the evaluation and analysis of District government organizations and their management.

### **INSPECTION STANDARDS**

I&E Division inspectors adhere to the Quality Standards for Inspections 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 inspections conducted, findings identified, recommendations made and agreed to by inspected agencies, and subsequent improvements in agency operations as determined through re-inspections are indicators of the effectiveness of the overall performance of the OIG inspection program. Inspections and Evaluations Division performance statistics for FY 2005 are reported in Appendix H.

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## **ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION**

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### **INSPECTIONS CONDUCTED**

In FY 2005, the I&E Division conducted three inspections, and a special evaluation. These projects generated 101 findings and 153 recommendations. The Division prepared two inspection reports and a report on the special evaluation that will be issued in FY 2006. Inspections can take from 6 months to a year, depending on the size of the inspected agency, the complexity of the issues covered, and the inspection resources available. Recommendations made to agency and department heads call for corrective measures to improve operations, address deficiencies, and ensure that District and federal laws, regulations, and policies are followed.

The following list describes the scope of the three inspections and the special evaluation conducted. Details of the findings and recommendations resulting from these inspections will be published when the reports are issued in FY 2006. The cost of the projects conducted during FY 2005 and the number of recommendations resulting from each inspection are reported in Appendix H.

#### **Inspection of the Department of Consumer and Regulatory Affairs (DCRA) Housing Regulation Administration (Report to be issued in FY 2006)**

DCRA ensures the health, safety, and economic welfare of District residents through licensing, inspection, compliance, and enforcement programs. It regulates business activities, land and building use, construction safety, historic preservation, rental housing and real estate, and occupational and professional conduct within the District. DCRA takes legal action against businesses and individuals who violate District laws, and works to prevent the occurrence of illegal, deceptive, and unfair trade practices through education and public awareness programs. DCRA's FY 2005 budget was approximately \$31 million, and the agency had approximately 364 full-time employees. Three separate inspections are necessary to complete a comprehensive evaluation of the Department's operations. This first inspection focused on the following areas: procedures for collecting unpaid penalties; the use of paid overtime; the efficiency of DCRA's central computer system; operations of the Human Resources Division; operations of the Consumer Services Call Center; cash handling procedures; the Office of the Rent Administrator; the Housing Service Center; oversight of condominium conversions and sales; oversight of the Rehabilitation Branch, which secures and abates conditions in vacant housing units; staffing and equipping of inspectors in the Neighborhood Stabilization Program; the Rental Housing Commission; and the General Counsel's Regulatory Complaint Intake process. The inspection team also conducted an employee survey covering the attitudes and perceptions of DCRA employees toward the management and operations of the agency.

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## **ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION**

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**Findings and Recommendations:** Under review prior to publication of the final report in FY 2006.

**Inspection of the Department of Consumer and Regulatory Affairs (DCRA)  
Business and Professional Licensing Administration  
(Report to be issued in FY 2006)**

This second inspection of DCRA focused on the following areas: oversight of the licensing process for non-medical professionals, including administering examinations, records maintenance, and responding to license certification requests from other jurisdictions; operations of the vendor responsible for processing licensing applications and fees; security in the Business Services Division where a variety of business licenses are issued and stored; DCRA's role in overseeing compliance with the Americans with Disability Act; the state of records management, records security, contract deliverables, and business applicant processing in the Occupational and Professional Licensing Division; activities of the professional licensing and regulatory boards; and the Office of Compliance and Enforcement, which is tasked with, among other things, investigating complaints against businesses.

**Findings and Recommendations:** Under review prior to publication of the final report in FY 2006.

**Inspection of the Office of Contracting and Procurement (OCP)  
Ratification Request Review Process, Million-Dollar Contracts,  
Commodity Buying Groups  
(Report to be issued in FY 2006)**

OCP is responsible for providing contracting and procurement services and personal property management to District agencies so they can obtain the quality goods and services needed to accomplish their mission in a timely and cost effective manner. OCP has 157 full-time employees, and its FY 2005 budget was approximately \$12 million. This inspection was the first of two and focused on OCP's ability to account for million-dollar contracts; the ratification process in place to approve unauthorized contractual agreements; District laws and regulations regarding unauthorized contractual agreements and ratifications; OCP's ability to coordinate with the General Services Administration in purchasing government vehicles; and the operations of commodity buying groups under OCP's Infrastructure Support Cluster.

**Findings and Recommendations:** Under review prior to publication of the final report in FY 2006.

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## **ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION**

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### **Special Evaluation Quality of Care Issues Related to the Custody of Jonathan Magbie Issued October 2005**

This special evaluation was requested by the District's City Administrator following the death of an inmate with serious medical conditions who was processed into the D.C. Jail, and then sent to the Correctional Treatment Facility (CTF), which provides medical care to inmates. The CTF is operated by a contractor under the Department of Corrections (DOC), and inmate medical care is overseen by the Department of Health (DOH). The purpose of the evaluation was to determine if: (a) DOC employees and contractors, and DOH employees, complied with policies and procedures related to the standards of care for an inmate such as Mr. Magbie; and (b) if sufficient policies and procedures are in place in these two agencies to ensure that appropriate standards of inmate medical care can be met. The evaluation team (team) found, among other things, that: (1) DOC and its medical contractor did have sufficient written policies and procedures in place on appropriate standards of care; (2) DOC contract employees did not comply with a number of the written policies and procedures in place for inmate care; and (3) the DOH Healthcare Safety Net Administration, which has oversight responsibility for inmate healthcare, did not have sufficient policies and procedures to support its oversight responsibilities. The team recommended: (1) that the City Administrator and other District officials ensure development of a quality assurance program for medical care and treatment of inmates by the D.C. Jail and CTF medical staffs; and (2) that the City Administrator and DOC consider licensing the D.C. Jail and CTF medical facilities to ensure regular and systematic oversight of medical staff qualifications, performance, and operations.

### **MANAGEMENT ALERT REPORTS ISSUED**

I&E issued three Management Alert Reports (MARs) during FY 2005. The OIG issues MARs when it believes a matter requires the immediate attention of a District of Columbia government official.

#### **Department of Motor Vehicles (DMV) Management Alert Report 05-I-001 Issued February 7, 2005**

The Division evaluated a District resident's complaint that DMV's drivers license vehicle road test requirements as posted on the DMV website had the effect of preventing him from qualifying for a drivers license he needed to obtain employment. The requirements (a) stipulated use of a vehicle with a hand-operated emergency brake between the front seats, and (b) did not allow use of rental vehicles for road tests because of insurance concerns. The

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## **ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION**

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resident complained that the combination of these rules prevented his employment, since he did not have a vehicle with a center hand brake, and was not allowed to rent such a vehicle in order to take the road test. We found that the District of Columbia Municipal Regulation concerning the type of vehicle allowed for road tests was significantly outdated given the construction of today's vehicles, and surrounding jurisdictions had no such rule. Likewise, research determined that the ban on using rental cars was similarly misguided, and drivers taking road tests in rental cars are protected by insurance unless explicitly denied such protection by the rental company.

We recommended that the Director of DMV review the vehicle and insurance requirements for road tests to ensure that undue hardships were not being created for some potential drivers. We also recommended that The Director of DMV consider the need for revisions to the pertinent District of Columbia Municipal Regulation related to the conduct of road tests and other aspects of licensing District drivers.

### **Department of Consumer and Regulatory Affairs (DCRA) Management Alert Report 05-I-002 Issued April 22, 2005**

The first inspection of DCRA revealed that all DCRA employees were required by management to change the unique telephone pass codes they used to access their voicemail to the same four digits: 1234. Use of this universal pass code allowed anyone, including unauthorized users, to access not only private voicemails that might concern personnel actions, personal health, family, or legal matters, but also voicemails that, if released without authorization, could compromise the security and confidentiality of numerous DCRA business activities. Inspectors determined that with the use of a common pass code, an intruder external to DCRA could gain access to an employee's desk phone voicemail from another phone located anywhere in the world. Once accessed, messages could be reviewed, saved, or deleted. In addition, a DCRA employee's mailbox options and pass code could be changed so that only the intruder, and not the DCRA employee, could hear and retrieve messages. Inspectors also found that some employees had been required to give their computer passwords to supervisors, along with emergency contact information.

We recommended that the Director of DCRA take steps to ensure that telephone access codes and computer passwords are unique to each employee and not shared, except as allowed by District regulations. We also recommended that the Director of DCRA ensure that policies regarding telephone access codes, computer passwords, and telecommunications security are updated, promulgated, and enforced.

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## **ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION**

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### **Department of Consumer and Regulatory Affairs (DCRA) Management Alert Report 05-I-003 Issued June 3, 2005.**

The Director of DCRA was notified that DCRA was not in compliance with Mayor's Order 94-138, dated May 25, 1994, which designated DCRA as the coordinating agency to enforce District government compliance with the federal Americans with Disability Act (ADA). The ADA prohibits discrimination based on disability in employment, public accommodations, and telecommunication relay services. The Mayor's Order also directed DCRA to appoint a District-wide ADA Coordinator, appoint ADA Coordinators in each agency, and submit annual ADA Implementation Plan Updates at the end of each calendar year. DCRA's Office of Disability Affairs (ODA) is responsible for providing technical assistance, investigating complaints, and conducting surveys and training seminars. It also acts as the official consultant on all matters pertaining to the ADA. The inspection team found that contrary to the Mayor's Order, DCRA had no ADA Coordinator, was not submitting annual updates to the Mayor, and some District agencies did not have agency ADA coordinators as required. At the time of the inspection, the ODA consisted of only two employees: a program manager and a program specialist.

We recommended that the Director of DCRA: (1) appoint an ADA Coordinator and provide adequate staffing to the Office of Disability Affairs; (2) maintain a current list of the ADA Coordinators in all District agencies and take steps to ensure that each agency has a designated ADA Coordinator; and (3) ensure that annual ADA updates are submitted to the Mayor by December 31 of each year, as required by the Mayor's Order.

### **RE-INSPECTIONS CONDUCTED**

The OIG inspection process includes follow-up with inspected agencies to monitor the action taken on OIG findings and recommendations. Compliance forms are issued to agencies at the end of the OIG's initial inspection so agencies can report back on their progress in complying with recommendations over an established time period. At the end of that period, re-inspections are scheduled and conducted to verify an agency's compliance with recommendations as agreed to.

### **Department of Public Works/Parking Services Administration (PSA) Report of Re-inspection OIG No. 05-0017KA Issued April 2005**

The PSA's mission is to provide on-street parking enforcement services in the District to improve public safety, the quality of life, and economic competitiveness by maintaining

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## ACTIVITIES OF THE INSPECTIONS AND EVALUATIONS DIVISION

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access to short-term, low-cost public parking. The re-inspection team found that PSA had made substantial progress in correcting many of the deficiencies found during the initial inspection in 2001. The team found that of the 43 recommendations agreed to, PSA was in full compliance with 23, in partial compliance with 13, and 7 had not been complied with. Following the inspection, the PSA Administrator commissioned a consulting firm to develop a re-organization plan that would enable PSA to fulfill its mission in the most cost-effective manner. PSA then established short- and long-term goals, and implemented numerous organizational changes.

**Additional Recommendations:** The re-inspection team made additional recommendations concerning issues that PSA had not resolved, including managers' lack of access to budget information, the lack of written procedures in the Vehicle Immobilization Branch, non-working communications equipment and insufficient dispatchers, lack of proper compensation for employees serving in higher-level positions, and inaccessible fire extinguishers.

**Department of Public Works/Fleet Management Administration (FMA)  
Report of Re-inspection OIG No. 05-0018KA  
Issued July 2005**

The FMA's mission is to help improve the District's economic competitiveness and quality of life by providing District government agencies with vehicles and mobile equipment to meet their service delivery needs, and by maintaining the District's vehicle and equipment fleet in good working condition. The inspection team found that FMA had made good progress in correcting deficiencies following the initial inspection in 2001. Of the 42 recommendations agreed to, FMA was in full compliance with 32, in partial compliance with 5, and 5 had not been complied with. The team found that FMA had: developed formal business processes that provided guidelines for general repairs; made improvements in the safety of employees' work environment by providing proper lighting, first-aid products, readily accessible fire extinguishers, and eye wash stations; and begun enforcing policies against mechanics servicing vehicles containing solid waste. In addition, FMA had implemented a program that monitors the availability of all mission-critical service vehicles; significantly increased the number of mechanics since the initial inspection; instituted a Comprehensive Preventive Maintenance Program for all District vehicles; partnered with a local high school to help train students in vehicle repair services; improved the vehicle purchasing and disposal process by installing new computer software; implemented a 5-year vehicle and equipment replacement plan that ensures funding sources and approvals before vehicles are purchased; and installed automated fuel systems at 11 of the fueling sites available to drivers of District-owned vehicles, which identifies authorized vehicles and assists in the management of fuel usage and costs.

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**ACTIVITIES OF THE INVESTIGATIONS DIVISION**



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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

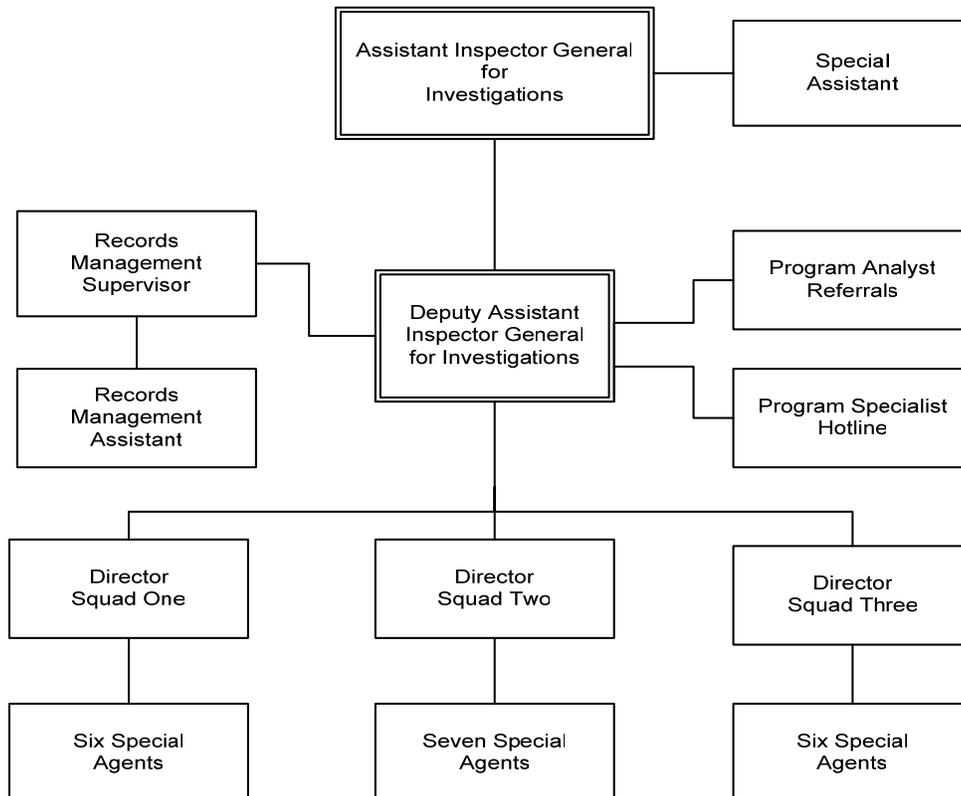
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### ORGANIZATION

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 Analyst is responsible for the effective operation of the Hotline Program and for the Referral Program. In FY 2005, the Division added a new Program Specialist position to staff the Division's Hotline on a full-time basis. Previously, the Hotline was staffed by Special Agents on a rotating basis.

#### IG Investigations Division September 30, 2005



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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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The ID is comprised of 29 employees, including 5 managerial/supervisory personnel, 19 Special Agents, 1 Special Assistant, and 4 support staff members. OIG Special Agents are sworn law enforcement officers. Many of our Special Agents hold advanced degrees and professional certifications. Newly hired Special Agents are required to attend and successfully complete a 10-week basic training course at the Federal Law Enforcement Training Center (FLETC), Glynco, Georgia. They are also required to meet the firearm qualification standards of FLETC, or of another federal law enforcement agency, as well as those of 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 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 (USAO) for the District of Columbia 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, 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

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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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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.

The Referral Program is an important adjunct to the investigative work of the ID and 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. A trained Program Specialist is 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 K compares actual FY 2005 performance with target goals. In FY 2005, the Division exceeded its target goals in seven of eight performance measures. Appendix L reflects these same performance measures, and compares actual FY 2005 performance with performance in the previous 2 fiscal years. The performance measures for FY 2005 were changed from the previous year. Several measures over which the OIG exerted no management control were eliminated, and several new measures were adopted. These measures apply only to FY 2005, and a new and different type of performance measure has been adopted for FY 2006 and FY 2007.

### **INVESTIGATIVE WORKLOAD AND PRIORITIES**

At the start of FY 2005, the OIG had 176 pending investigations. The Division processed 455 new investigative complaints received during FY 2005. Of those 455 matters, 121 were

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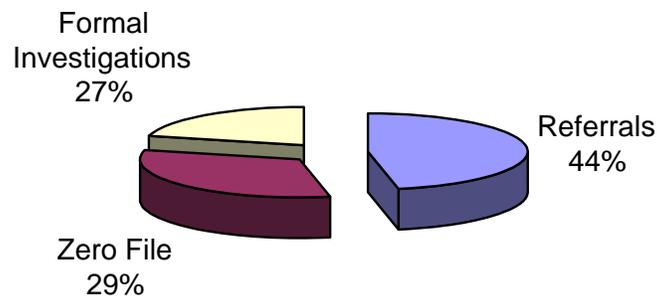
## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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opened as formal investigations, 195 were referred to agency heads for action, and 132 were closed without further action (or placed in the “Zero” file). Seven new complaints were determined to be the same as a pending matter and were consolidated with the pending matter.

The chart below reflects the proportionate resolution of investigative matters received in FY 2005 (based on 448 new matters).



Each Special Agent maintains an average caseload of between 10 to 15 formal investigations. This is a high workload in comparison to federal OIGs and other law enforcement agencies that investigate public corruption and government fraud. Consequently, the ID is required to prioritize the use of its 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 a 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.

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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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### INVESTIGATIONS CLOSED

In FY 2005, the Investigations Division closed 290 investigations. Appendix M 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 receives allegations of waste, fraud, and abuse relating to each department or agency. The table does not include closed Administrative Referrals, which are included in other tables.

### HOTLINE USAGE

Detailed Hotline statistics are included in Appendix N. 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 186 calls on the Hotline during FY 2005 that required further action by the ID. These are further described in Appendix N. 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 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 Executive Office of the Mayor, the D.C. Council, and Congress.

### 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 2005, the OIG referred 71 cases to the USAO for possible prosecution. In addition, 46 cases were accepted for further investigation, and in 29 cases, prosecution was declined, and 14 cases were presented to the OAG for prosecution under laws within the jurisdiction of that office. These figures include referrals of cases from

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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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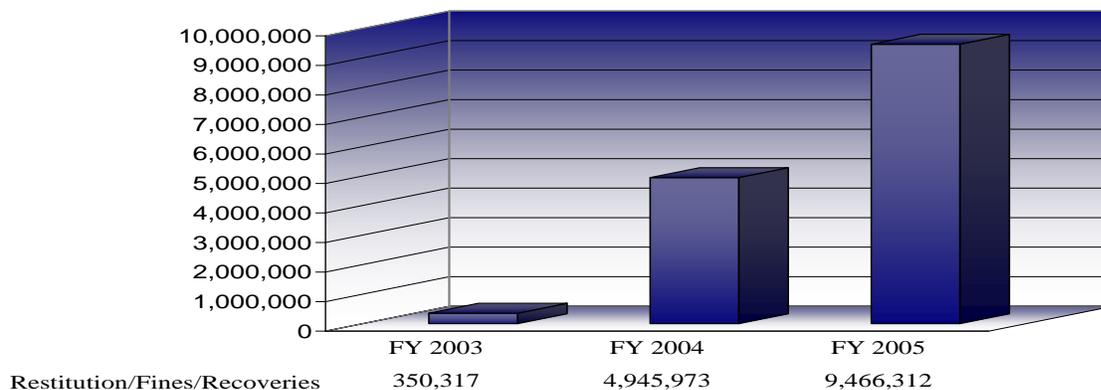
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previous years. The investigations conducted by the OIG (and, in some cases, in conjunction with other law enforcement agencies) resulted in 12 convictions in FY 2005. The individuals who were convicted received sentences that included imprisonment, home detention, probation, fines, and restitution.

### RESTITUTIONS AND RECOVERIES

During FY 2005, individuals convicted as a result of OIG investigations were ordered to pay a total of \$9,466,312.66 in restitution, fines, and recoveries.

**Summary of Restitutions/Fines/Recoveries**



### INVESTIGATIVE REPORTS

The OIG issued 11 investigative reports (ROIs) in FY 2005. Formal ROIs are issued at the conclusion of significant administrative 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, the 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 2005 the ID issued a MAR to alert the Director of the Department of Consumer and Regulatory Affairs (DCRA) and the Interim Chief Procurement Officer to a potential conflict of interest in a consultant's contract with DCRA. Another MAR was issued to the Superintendent of the District of

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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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Columbia Schools (DCPS) to alert him to the need to strictly enforce due diligence standards in regard to the hiring process for DCPS teachers.

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 2005.

Finally, the ID issued numerous Significant Activity Reports during FY 2005 to notify the Mayor and affected agency heads of criminal prosecutions and convictions of District government employees and contractors.

### **SIGNIFICANT INVESTIGATIONS**

#### **University of the District of Columbia Professor Pleads Guilty to Interstate Transportation of Stolen Property**

This investigation was predicated on allegations that a professor at the University of the District of Columbia (UDC) diverted grant funds received from the U.S. Geological Survey (USGS) for his personal use. The OIG investigation revealed that between October 1997 and March 2002, approximately \$45,000 in USGS grant funds designated for UDC were electronically re-routed to the professor's personal checking account. In June 2005, in the United States District Court for the District of Columbia, the professor entered a guilty plea to one count of Interstate Transportation of Stolen Property, a felony, in violation of 18 U.S.C. § 2314. In September 2005, he was sentenced to 3 years probation and ordered to repay USGS \$45,273 and \$10,000 in interest that had accrued on the funds. The defendant was also ordered to serve 6 months of home detention and to wear an electronic monitoring device. The defendant resigned from his position at UDC effective the end of June 2005.

#### **Employee of the District of Columbia Public Schools System Pleads Guilty to False Representation**

Investigation into this matter was based on information received from the District of Columbia Office of Personnel (DCOP) concerning a DCPS employee's receipt of DCOP sponsored health benefits. The investigation revealed that the DCPS employee was married to an employee of another District of Columbia agency, and was sponsored under her IPA Health Plan. However, while covered under his wife's health plan, the DCPS employee enrolled himself and his girlfriend in another District-sponsored health plan. He listed his girlfriend as his spouse on the health insurance registration form, although he was still married to a District employee. The investigation revealed that the monetary loss to the District, through insurance premiums paid as a result of the DCPS employee's fraudulent

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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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enrollments, was \$8,914.69. In June 2005, the DCPS employee pled guilty in District of Columbia Superior Court to one count of False Representation in violation of D.C. Code § 2-308.21 (2001). The defendant was ordered to make restitution of \$3,600 to DCOP. Under the terms of a Deferred Sentencing Agreement with the OAG, if the defendant abides by the conditions imposed by the agreement, he will be allowed to withdraw his guilty plea and the case against him will be dismissed.

### **Former Department of Parks and Recreation Official Pleads Guilty to Theft and Attempted Forgery**

Investigation of this matter was predicated on a complaint from an anonymous source in June 2004. The investigation revealed that between June 2004 and September 2004, the Department of Parks and Recreation (DPR) Director of Communications solicited a cash payment of \$2,495 from a representative of a company with a DPR contract. The DPR employee attempted to conceal the payment by requesting that the company representative recoup the payment by placing a \$2,495 charge on a DPR government credit card. Pursuant to the DPR employee's request, the representative of the company, using the company's merchant account, charged \$2,495 to the DPR employee's government credit card, and provided the cash to the DPR employee. The DPR employee's scheme to defraud the District government also included his submission of false invoices to the Office of the Chief Financial Officer, Office of Financial Management, in the amount of \$2,495. However, the OIG, working jointly with the FBI, was aware of the scheme and monitored all aspects of the payment and the credit card transaction. On March 7, 2005, pursuant to a plea agreement, the DPR employee pled guilty to Theft II and Attempted Forgery in U.S. District Court. He was sentenced to pay \$2,495 in restitution and a \$100 Special Assessment fine; perform 100 hours of community service; and serve 1 year of probation on each count, to run concurrently. The DPR employee resigned from DPR in February 2005.

### **Unemployment Compensation Claimant Pleads Guilty to First Degree Fraud**

This investigation was based on complaints from the Benefit Payment Control Branch (BPCB), Office of Unemployment Compensation, Department of Employment Services (DOES), that certain Unemployment Insurance (UI) claimants submitted fraudulent UI claims to DOES. The OIG investigation revealed that a subject falsely certified on DOES mail-in claim cards that she was unemployed for various times during the period of February 1999 until May 2001. As a result, she fraudulently received approximately \$5,201 in UI benefits. In April 2005, the claimant entered a guilty plea to one count of First Degree Fraud in violation of D.C. Code § 22-3221 (2001), in the District of Columbia Superior Court, and was sentenced to 180 days confinement (suspended), 4 years probation, and a restitution payment of \$5,201.

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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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### **Former Department of Motor Vehicles Employee Pleads Guilty to Bribery**

A joint investigation (OIG/FBI) resulted in an arrest and conviction of a District of Columbia Department of Motor Vehicles (DMV) employee for her part in selling fraudulent drivers licenses. The employee was involved in a scheme while working at the DMV offices at 301 C Street, N.W., Washington D.C., where she entered false claims into the DMV computer in order to create and issue fraudulent drivers licenses in exchange for applicants paying her \$250 to \$400 per license. Initially, the employee issued approximately three to four fraudulent drivers licenses each week, but this number increased significantly over time. During the course of the bribery scheme, applicants seeking fraudulent licenses paid out more than \$70,000 in bribes to the employee. The employee was immediately terminated from employment in February 2005, and pled guilty to one count of receipt of bribes by a public official on July 26, 2005. As part of her plea, the employee acknowledged that, beginning in early 2002, she began selling fraudulent drivers licenses in exchange for cash. The employee faces up to 15 years in prison when she is sentenced in November 2005.

### **Three Former District Employees Receive Prison Terms for Bribery Scheme at the Department of Motor Vehicles**

As a result of a joint OIG/FBI investigation, two former District of Columbia Office of the Chief Financial Officer (OCFO) employees, assigned to the Department of Motor Vehicles (DMV), were sentenced to prison for their involvement in a bribery scheme where they provided fraudulent drivers licenses and fraudulent vehicle registrations. One former OCFO employee received a 12-month prison sentence and 3 years of supervised probation upon release. The second former OCFO employee received an 18-month prison sentence, 2 years of probation, and was ordered to pay \$200,000 in restitution to the District government. A third former DMV employee was sentenced to 12 months imprisonment and 3 years supervised probation for preparing fraudulent driver's licenses in exchange for money. The three former employees admitted to receiving bribes for providing fraudulent drivers licenses using false names, Social Security Numbers, and dates of birth.

### **Former DCPS Transportation Employee is Third to be Charged in Bribery Scheme**

As a result of a joint OIG/FBI investigation, a former DCPS Transportation employee was indicted on August 4, 2005, on federal bribery charges. The Grand Jury's indictment charged the employee with paying money to a former employee of the D.C. Office of Finance and Treasury (OFT). The OFT employee was assigned to the D.C. Bureau of Traffic Adjudication as a teller and, in exchange for money, the teller falsely recorded that various automobile tickets and fines had been paid in full. The teller pled guilty to bribery in October 2003, and is pending sentencing. A second "middleman" involved in the same scheme also pled guilty in October 2003, and was sentenced to 46 months of incarceration.

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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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### **Teacher/Coach Found to Have Falsified Employment Application and Resume**

Investigation into this matter was predicated upon an allegation that a teacher at Woodrow Wilson Senior High School (WWSHS), DCPS, who was also serving as the coach of the Junior Varsity (JV) basketball team, submitted false documents and credentials when he applied for the Special Education Teacher position at WWSHS. The OIG investigation revealed that the teacher/basketball coach had falsified his résumé and employment application. Based on the investigation, the teacher resigned his position and the OIG recommended that DCPS: (1) review the January 2003 Management Implication Report on the District of Columbia Government Application Evaluation Process (MIR-2003-2) and its recommendations; (2) ensure through variable formal training that the Office of Human Resources complies with No Child Left Behind (NCLB) requirements for teaching positions; (3) strictly enforce due diligence standards in regard to the teacher hiring process; and (4) maintain an application checklist on each applicant to track each step of the hiring process. In June 2005, DCPS notified the OIG that they concurred with the recommendations.

### **Changes to Investigative Report Found to be Immaterial**

This investigation was initiated at the request of the Office of Professional Responsibility (OPR), Metropolitan Police Department (MPD), pertaining to an allegation that an OPR member altered a Final Investigative Report regarding the misconduct of a MPD officer. The OIG investigation concluded that the Final Investigative Report had been altered without the consent or knowledge of the author, and that the altered report was used in the administrative process against the MPD officer. However, the changes did not materially change the facts or the meaning of the report. Additionally, while established protocol for drafting, reviewing, and editing Final Investigative Reports was not followed, there was no evidence of any intent to deceive, mislead, make false claims, or change the character of the report's findings and conclusions.

### **Prosecution for Falsely Claiming Unemployment Insurance Benefits**

The OIG conducted an investigation based on a referral from DOES that a resident of the District of Columbia had received fraudulent UI benefits. The OIG investigation determined that the subject fraudulently received \$18,540 in UI benefits by falsely certifying unemployment. As a result of the OIG investigation, the subject entered a guilty plea to one count of First Degree Fraud, and was sentenced to 5 years probation, a \$1,000 fine, a \$100 special assessment, and ordered to pay restitution in the amount of \$23,402.

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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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### **Improper Conduct Leads to Termination of ABRA Inspector**

An investigation by the OIG established that a District Alcoholic Beverage Regulation Administration (ABRA) Inspector exited a market without paying for a sandwich, a bag of chips, a beverage, and a newspaper. The employee arrived at the market with the intention of conducting an inspection. While in the market, a store employee provided the ABRA Inspector with a sandwich, a bag of chips, a beverage, and a newspaper as instructed by the ABRA Inspector. The ABRA employee then left the market without paying for the items. The ABRA employee admitted to receiving the items without rendering payment and offered to reimburse the market for the items. The USAO declined to prosecute and the employee was terminated from District government employment.

### **OPM Official and Contractors Plead Guilty to Bribery**

As a result of a joint OIG/FBI investigation, one D.C. Office of Property Management (OPM) official and two contractors were arrested and indicted on federal charges. Both contractors pled guilty to bribery conspiracy charges, and one contractor agreed to pay \$4.8 million settlement for a bogus contract issued by the OPM official. The OPM official pled guilty to bribery charges for his part in assisting the contractors obtain lucrative District government contracts. The OPM official agreed to cooperate with prosecutors in their ongoing investigation of other District contractors.

### **DOH Employee Admits Forging Timesheet**

This investigation was based on a referral from the D.C. Department of Health (DOH), alleging that a DOH employee, who managed DOH contracts, created, forged, and executed a false timesheet for a consultant employee without the employee's knowledge. When the consultant employee contacted the DOH employee to report the bogus timesheet, the DOH employee admitted to creating the document, forging the signature, and submitting the document for payment. The DOH employee explained that the purpose for creating the document was to deplete the excess contract funds (\$1,000) for the fiscal year. The USAO declined prosecution, and the OIG recommended that DOH take appropriate administrative action against the DOH employee.

### **WASA Employee Had Conflict of Interest and Falsified Employment Application**

An OIG investigation established that a D.C. Water and Sewer Authority (WASA) employee attempted to intervene on behalf of her spouse, a WASA subcontractor who had been recently terminated for performance on a contract. In addition, it was established that the WASA employee had recommended her spouse's services to the general contractor. After the WASA employee forwarded a copy of her spouse's résumé to the general contractor, the

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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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spouse was hired as a subcontractor for the general contractor. During the course of this investigation, it was also determined that the WASA employee had a previous conviction for theft of government property, and had been sentenced to 2 years of supervised probation and 150 hours of community service. However, the WASA employee had failed to reveal her conviction on her application for D.C. government employment. As a result of the OIG investigation, the employee resigned her WASA employment.

### **District Employee Falsely Claims Rent Voucher**

The OIG investigated an allegation that an employee of the District government, and a claimant with the District of Columbia Housing Authority (DCHA), had fraudulently obtained \$15,424 in Housing Choice Voucher Program rent vouchers by falsely certifying her employment and income. As a result of the OIG investigation, the employee entered a guilty plea to one count of First Degree Theft and was sentenced to 3 years and 10 months of supervised release, 1 year of probation, 50 hours of community service, and a restitution payment of \$15,424.

### **False Claim of Unemployment Benefits Results in Guilty Plea**

This investigation was conducted regarding a claimant of DOES. The claimant fraudulently obtained \$12,051 in UI benefits by falsely certifying unemployment on DOES mail claim cards for various times during 2000 and 2001. The claimant entered a guilty plea to one count of First Degree Fraud, was sentenced to 15 months of unsupervised probation, and was required to pay a restitution payment of \$12,051.

### **DCPS Lawyers Fail to Meet Requirement of District Bar Membership**

The DCPS Office of Compliance reported that four attorneys in the Office of the General Counsel, including the General Counsel, were suspected of practicing law without the required licenses to practice law in the District. The subsequent OIG investigation revealed that three subordinate attorneys had represented DCPS for years without becoming members of the D.C. Bar, and that the General Counsel practiced without a D.C. license for a brief period. The General Counsel also failed to properly supervise her subordinates by ensuring that they were duly licensed in the District, as required by D.C. law and personnel regulations. The OIG reported these findings and its recommendations to the Superintendent, DCPS, who took appropriate corrective action.

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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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### **D.C. Department of Public Works Employee Charged with Theft**

A former girlfriend of a Department of Public Works (DPW) employee contacted the OIG to report that the DPW employee was stealing new automobile parts from DPW's Fleet Management Administration, where the employee worked. The subsequent OIG investigation revealed that the DPW employee was stealing auto parts and taking them to the girlfriend's home where he would sell them or use them to repair the vehicles of friends and associates. The DPW employee was charged with First Degree Theft, and approximately \$1,222 in stolen D.C. government property was recovered. Because the employee had no previous criminal record, he was permitted to enter a first-time offender diversion program after he admitted criminal responsibility. The DPW employee was terminated.

### **District Department of Transportation Official Used His Office Computer to View Pornography**

This investigation was predicated upon information that a senior District Department of Transportation (DDOT) employee was viewing pornographic material, possibly including illegal child pornography, on his workspace computer. This matter was coordinated with the USAO's Transnational and Major Crimes Section, and a joint investigation was initiated with the FBI. The FBI obtained a search warrant in the Eastern District of Virginia in order to allow a forensic examination of the computer assigned to the DDOT official. The employee's computer hard drive was seized and provided to the High Technology Computer Crimes Unit of the FBI. The results of the forensic examination disclosed thousands of sexually explicit images, possibly involving minors. The case was ultimately declined by the USAO; however, when the DDOT official in question was interviewed by the OIG, he admitted using his computer to view pornography. The individual voluntarily resigned his DDOT employment in lieu of termination.

### **Employee Resigns Following Arrest on Narcotics Warrant**

During the course of an investigation, the OIG received information that a senior Office of the Chief Financial Officer (OCFO) employee was also under investigation by the Charles County (Maryland) Sheriff's Office (CCSO) Vice and Narcotics Unit for purchasing and selling crack cocaine, and that an arrest warrant had been issued. The OIG cooperated with the Sheriff's deputies, and the OCFO employee was subsequently arrested by members of the CCSO, resulting in the employee voluntarily resigning in lieu of termination.

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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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### Contractor Pleads Guilty to Conspiracy to Bribe Former OPM Employee

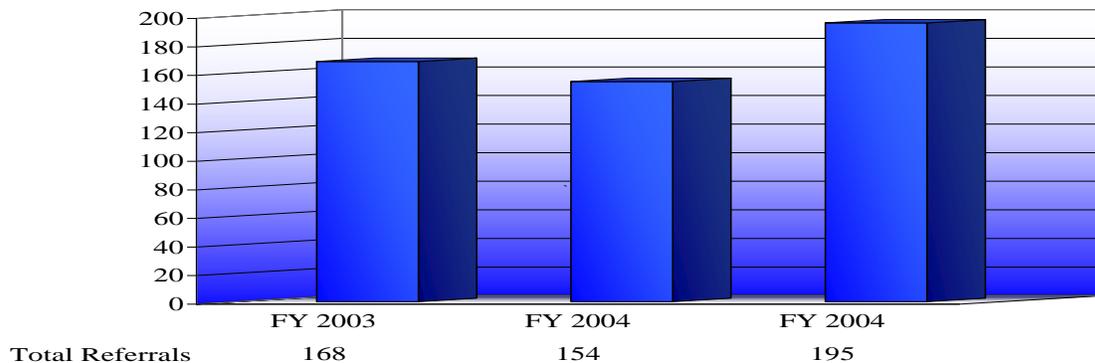
The owner of a hardwood flooring company specializing in gymnasium flooring entered a guilty plea in U.S. District Court to conspiring to bribe a former General Engineer in the Office of Property Management (OPM), who oversaw construction projects at DPR. The bribery scheme involved the company owner inflating his bids on two construction projects at the request of the former OPM employee to kickback funds to the former employee for helping the company owner get District jobs. The company owner admitted paying the former OPM employee \$38,500 in seven different payments over a 6-month period.

### REFERRALS

The OIG frequently refers administrative matters to other departments and agencies due to jurisdictional issues or because the matters can best be addressed by those agencies. 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 2005, the OIG referred a total of 195 matters to the District agencies described in Appendix O. The chart below illustrates the number of administrative referrals in the past 3 fiscal years.

Summary of Referrals FYs 2003 - 2005



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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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### SIGNIFICANT RESULTS FROM THE REFERRAL PROGRAM

The following are examples of significant outcomes for referrals sent to agency heads during FY 2005:

**Case 1:** This referral to the DOES concerned an allegation that a citizen was committing fraud by failing to report employment to DOES while continuing to collect unemployment insurance benefit payments. The agency's investigation substantiated the allegation. The citizen was disqualified from obtaining further unemployment insurance benefit payments for a 1-year period, and a restitution agreement for the overpayment of \$1,176 was established.

**Case 2:** This referral to the DMV concerned an allegation that a citizen and his wife were being ordered to pay traffic tickets that they had already paid years previously. The agency's investigation revealed that the latest notice that had been sent to the couple was already out-of-date by the time they received it, and that it had been sent as the result of a clerical error. Furthermore, the agency determined that the couple did not have unpaid traffic tickets, and that they were owed \$200 by the District of Columbia government. A check was issued to the couple for the full amount.

**Case 3:** This referral to the DMV concerned a complaint that a citizen had turned in vehicle license plates the previous year; however, the citizen was receiving notices of recent infractions linked to those same license plates. The agency's investigation revealed that the citizen had initially been issued a registration that did not match the license plates, with the result that the citizen's name continued to appear erroneously under that registration even after the license plates had been turned in. The agency corrected its records and issued a letter of apology to the citizen.

**Case 4:** This referral to the DCRA concerned an allegation that a citizen's complaints to building management and to the DOH regarding health and safety issues in the citizen's apartment were receiving no response. The agency conducted a building-wide inspection that revealed multiple housing code and emergency code violations, as well as dampness in the ceiling. Housing violation notices were served on the building owner. A subsequent inspection revealed that most of the violations had been abated; however, mold and mildew affecting the complainant's apartment had not been abated. The property manager was directed to completely renovate the complainant's apartment.

**Case 5:** This referral to the Office of the Chief Technology Officer (OCTO) concerned a complaint that a citizen was receiving harassing telephone calls from a District of Columbia government telephone number. The agency's investigation revealed that the citizen's telephone number had inadvertently been included among other relevant telephone numbers that are automatically dialed by a DOH facsimile machine to transmit certain informational

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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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updates. DOH re-programmed the system to delete the citizen's telephone number, so that the citizen no longer receives the automatically dialed calls from the DOH fax machine.

**Case 6:** This referral to the OAG concerned an allegation that a citizen was being falsely accused of failing to make child support payments. The intended recipient of those payments was an employee of the OAG Child Support Enforcement Division, was alleged to have abused his or her position to create the false reports. The agency's investigation revealed that the complainant was not delinquent in making child support payments, and that the error appeared to have been an innocent, if unfortunate, glitch in the agency's automatic notice generator. While there was no evidence that the OAG employee had abused his or her position, it was discovered that security elements that would have prevented an employee from accessing his or her own case-related files were not in place. The agency has since restored those security elements.

**Case 7:** This referral to DCRA involved an allegation that an employee had submitted a false employment application in that the employee: (1) falsely claimed District residency in support of a claim for residency preference; and (2) omitted a felony conviction. It was also claimed that the employee's supervisor was aware of these false claims; however, that supervisor took no action. While the agency's investigation was unable to confirm the allegation that the employee's supervisor had been aware of the false claims, it did confirm that the employee was a resident of Waldorf, Maryland, had falsely claimed District of Columbia residency, and had inappropriately applied for residency preference. The employee was found to have also failed to reveal a felony conviction. The employee's employment was terminated, and DCRA has added language to all vacancy announcements indicating that DCRA will conduct background investigations on all persons being considered for employment.

**Case 8:** This referral to DCPS concerned an allegation that a school's Parent-Teacher Association (PTA) was inappropriately leasing the use of the school's playground to a neighboring church school. The agency's investigation substantiated the allegation: the PTA had falsely represented to the church school that it was empowered to authorize use of the playground, and the PTA had collected money from the church for several years. DCPS did not believe that it was empowered to take disciplinary action against the PTA; however, DCPS officials corrected the situation and will be dealing with the church school in an appropriate manner in the future, including requiring insurance protection should the schoolyard again be made available to children from the church school.

**Case 9:** This referral to the Department of Human Services (DHS) involved an allegation that a supervisor provided false information on an employment application with respect to the supervisor's academic credentials. The agency's investigation substantiated the allegation in that the subject's claimed high school could not verify his or her graduation, and

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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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the subject's college could not find any record of the subject's enrollment during the years claimed/searched. However, the falsely claimed academic credentials were not requirements for the position for which the subject applied. Appropriate disciplinary action was recommended, and it was also recommended that the DHS Office of Human Resources, in consultation with DCOP, ensure that the employment applications of all candidates selected for employment with DHS contain accurate information prior to an offer of employment.

**Case 10:** This referral to MPD concerned an allegation that citizens had made multiple emergency telephone reports of a residential burglary-in-progress; however, police allegedly failed to respond for 9 hours. The agency's investigation revealed that the emergency operator who received the report had failed to upgrade the priority classification of the initial call from "Suspicious Vehicle, Priority 2," to "Burglary-in-Progress, Priority 1," when a second call came in reporting the burglary-in-progress. Also, when the residents of the home returned and called in the burglary, the call was initially assigned Priority 1, but the emergency operator subsequently re-classified the call to Priority 2. Unspecified disciplinary action was taken against the operator, and the complainant was informed by MPD of the results of the inquiry.

**Case 11:** This referral to the Office and Tax and Revenue (OTR) concerned an allegation that a citizen had improperly claimed and received a Homestead Exemption for a residential property in which the citizen had not resided for 3 years. It was also alleged that the citizen improperly claimed a senior citizen tax deduction although he/she had not yet reached the age of 65. The agency was unable to discover whether the citizen actually resided at the property; however, the initial application, submitted in 2001, had not been filled out correctly. OTR concluded that the Homestead Exemption should not have been granted. As a result of the agency's investigation, the citizen's Homestead Exemption was revoked retroactively to Tax Year 2002, and a property tax bill for \$21,915 was issued to the property owner. In addition, the agency found that the citizen improperly claimed a Homestead Exemption on another property. However, for the second property, OTR found no indication of fraud on the citizen's part or of collusion on the part of any government employee, and attributed the improper claim to human error. The agency's investigation showed that the citizen had neither claimed nor received a property tax reduction as a senior citizen.

**Case 12:** This referral to DCPS concerned an allegation that one employee persisted in signing another employee's name to contract orders, despite being asked not to and despite the latter's lack of authority to sign purchase orders. The agency's investigation revealed that the subject was improperly signing the other employee's name as an inappropriate resort to expediency, not as an act of wrongdoing or malice. The subject was given oral and written reprimands, and additional procedural training was implemented.

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## ACTIVITIES OF THE INVESTIGATIONS DIVISION

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**Case 13:** This referral to DCPS involved an allegation that a high school PTA was inappropriately leasing the school's parking lot to visitors to a nearby attraction. The agency's investigation substantiated the allegation, and the practice was halted immediately pending formal application and review for legal sufficiency.

**Case 14:** This referral to the DHS concerned an allegation of nepotism; specifically, that a Deputy Director had hired his or her own spouse. While the agency's investigation was unable to substantiate the allegation that the Deputy Director had been responsible for the hiring, it did substantiate that the employee and his or her spouse were both employed by the agency. An internal ethics review the agency conducted prior to receipt of the OIG's Administrative Referral concluded that the potential for an actual conflict of interest existed, and that there was, in any event, an impermissible appearance of a conflict of interest because the Deputy Director was in the supervisory chain over the spouse. The spouse's employment was terminated, and the agency's ethics officer provided training to the agency's senior management officials on the District's conflict of interest rules and laws governing anti-nepotism.

**Case 15:** This referral to the Department of Human Services concerned an allegation that a citizen had applied for Temporary Assistance to Needy Families (TANF) benefits under a false Social Security Number, and had failed to disclose employment. The agency's investigation revealed that the subject received food stamps from the District of Columbia government but did not receive TANF benefits. The subject admitted that he or she had not reported his or her employment and income to the agency's Income Maintenance Division as required, and had altered his or her Social Security Number and date of birth on the benefits application. The matter will be referred to the OAG for criminal prosecution once the food stamp overpayment is calculated.

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**ACTIVITIES OF  
THE MEDICAID FRAUD CONTROL UNIT**



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## ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT

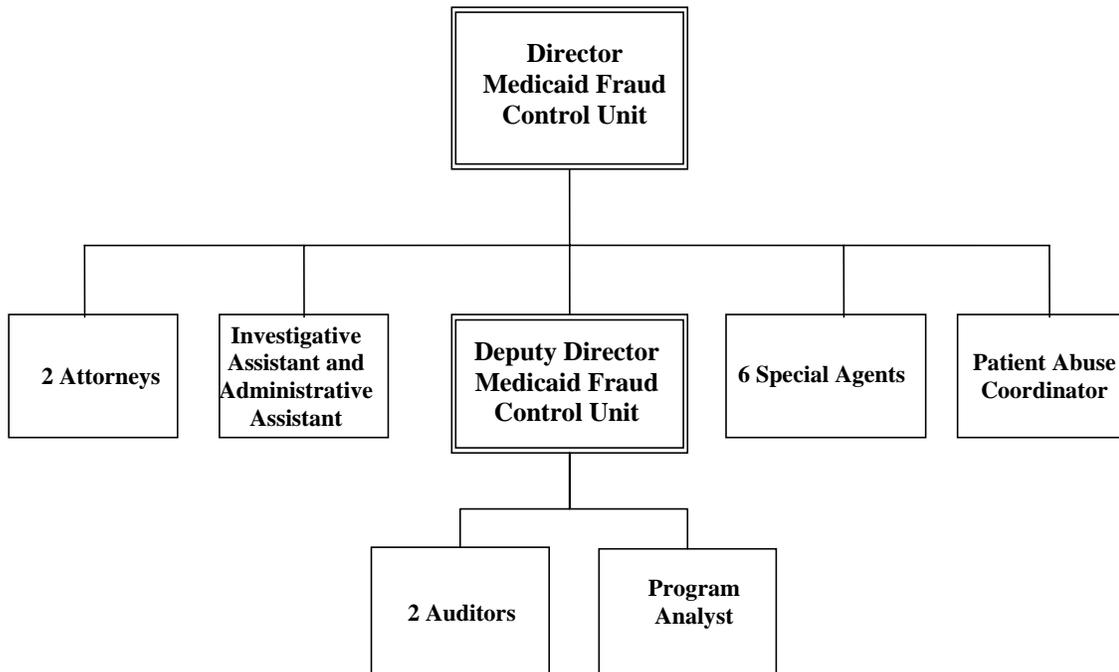
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### ORGANIZATION

FY 2005 marked the sixth 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 2005 was the fifth year in which the Unit was fully staffed and completely operational. The MFCU's mission 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 experiences 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 experience as a psychiatric Social Worker.

### OIG Medicaid Fraud Control Unit September 30, 2005



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## ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT

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MFCU cases are investigated from their inception 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. The team approach also has proven to be productive in that all members of the Unit have a forum to share their expertise and creativity in investigating and prosecuting cases. Team members are able to view cases from different perspectives and use new approaches in investigating other cases. The team approach is especially helpful in building unity and cooperation in the MFCU. Because the MFCU is small, staff members are frequently needed to assist on cases that are not their primary responsibility. Many matters are brought to a successful resolution because of the team approach.

Attorneys in the MFCU are sworn Special Assistant United States Attorneys and, as such, are able to represent the OIG in Superior and District courts on matters investigated by Special Agents in the 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 MFCUs 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. Ongoing investigations involve allegations of fraud committed by a broad range of health-care providers, ranging from nationally known institutions to solo

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## ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT

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practitioners. Medical care professionals and organizations involved in our cases include physicians, podiatrists, 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 improperly 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 our colleagues at the USAO for prosecution or other resolution, and many of those matters will be resolved in FY 2006. Currently, the MFCU is working on approximately 80 matters involving allegations of provider fraud, 60 of which were initiated in FY 2005.

In FY 2005, the MFCU and the USAO resolved a fraud matter against a provider of “relief” nursing staff in *United States v. Hodges*. The defendant pled guilty to one count of health-care fraud for knowingly engaging in a scheme to defraud health-care programs through false and fraudulent representations to at least three nursing homes in the District of Columbia. The defendant falsified documents in order to show that uncertified persons were trained, qualified, and experienced as certified nursing assistants (CNAs), had registration numbers, and met the requirements necessary to work in the nursing homes. She then billed the homes for the CNAs’ services and the facilities, which were composed of 95-98% Medicaid and Medicare recipients, who, in turn, billed the costs to the Medicaid and Medicare programs. United States District Court Judge Rosemary Collyer sentenced the defendant to 15 months in prison, followed by 3 years of probation. The conditions of probation included restitution in the amount of \$73,902.99, of which the District of Columbia Medicaid program received \$61,561.89. The defendant has been excluded from participation in all federal health-care programs for a term of 5 years.

The Unit also engaged in anti-fraud educational and outreach presentations in the private sector. The Patient Abuse Coordinator and the Director receive frequent requests for information and training on health-care fraud and reporting as well as investigating crimes against vulnerable citizens. The Director made numerous formal presentations in FY 2005 to introduce the MFCU and answer questions regarding the Unit’s work to audiences at the George Washington University Medical Center, the American Association of Retired Persons, a District dental study group, Howard University Criminal Justice Program, and the Department of Health.

The Unit works closely with industry groups on problems of mutual concern and 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

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## ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT

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Federal Bureau of Investigation (FBI), the HHS Office of Inspector General, the Drug Enforcement Administration (DEA) of the Department of Justice, and the Metropolitan Police Department (MPD). Additionally, the MFCU is an active participant in a local law enforcement Health-Care Fraud task force along with the HHS Office of Inspector General, the FBI, and the Medical Assistance Administration (MAA) of the District of Columbia Department of Health. The task force initiates investigations by selecting specific areas that are known by law enforcement to be prone to Medicaid fraud. The investigators analyze billing and claims data to determine if there is fraud. If a suspected fraud is detected, a full investigation will commence. We believe this initiative will generate referrals for FY 2006. The MFCU is also a participant in a local Drug Diversion task force consisting of representatives from the HHS Office of Inspector General, the FBI, MAA, DEA, the Food and Drug Administration, the Department of Health, and the MPD (which organized the task force). The task force meets monthly to discuss current cases and other issues of interest.

MFCU staff participate as members in other anti-fraud organizations such as the National Healthcare Anti-Fraud Association, the Association of Certified Fraud Examiners, the National Association of Drug Diversion Investigators, the International Association of Financial Crimes Investigators, the American Health Lawyers Association, the High Technology Crime Investigation Association, the Federal Criminal Investigators Association, and the Association of Government Accountants. In addition, the Director is a member of the Mayor's Fatality Review Committee. 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, increase the number of cases referred to the MFCU for investigation.

During FY 2005, the MFCU encouraged its staff members to research and write articles with the goal of publishing articles on topics believed to be of interest to other MFCUs and the law enforcement community. These projected articles are based on issues that we have become aware of during our work. An attorney with the MFCU, who is also a member of the Advisory Board of the Bureau of National Affairs' (BNA) Health Care Fraud Report, had an article published in the January 19, 2005, BNA Health Care Fraud Report. The article, entitled "First Circuit Blocks Effort to Halt Massachusetts Medicaid Plan to Control Drug Costs," discusses attempts made by states to limit the rise in costs of the Medicaid drug benefit and the legal challenges to such efforts by analyzing a recent First Circuit decision on this issue. The Director of the MFCU wrote an article - "Medicaid Fraud, Resident Abuse - Who Can Help?" - that was published in the fall 2005 Virginia Chapter Newsletter of the American Association of Healthcare Administrative Management. This article presented an overview of MFCUs and the types of cases that they investigate.

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## ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT

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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 48 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 its 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 aggrieved states allows the District to recoup monies without each state duplicating the efforts of the others. In FY 2005, the MFCU received over \$2.6 million in settlement of global cases, thus doubling the monies it recovered in FY 2004 and recouping more than 6 dollars for every District dollar funding the Unit. A notable achievement in FY 2005 was the District's recovery of \$1,447,407 as part of a \$37.5 million settlement with Gambro Healthcare, Inc. (Gambro). Gambro was alleged to have used a subsidiary company to improperly bill Medicaid for providing supplies and equipment to patients undergoing dialysis at home. By using the subsidiary, it is alleged that Gambro billed Medicaid at a higher reimbursement rate than what was allowed under federal regulations, and state Medicaid programs paid too much for the dialysis service. The Unit continues to participate in multiple global settlement negotiations and anticipates receiving significant monetary settlements in FY 2006.

In FY 2005, the MFCU became a member of a national "qui tam" committee initiated by the NAMFCU and consisting of representatives from the MFCUs of all states that have enacted false claims act statutes (currently, the District and 14 states have such statutes). The committee has bi-monthly conference calls during which the MFCU representatives discuss issues in current lawsuits as well as how to investigate and prosecute these cases in the most efficient manner. The MFCU has found the committee to be a valuable resource, such that no single MFCU becomes overburdened with time-consuming and costly investigations. The MFCU is involved in over 50 false claims act lawsuits that are in various stages of investigation and prosecution.

The MFCU works closely with the District of Columbia Office of the Attorney General (OAG), which has jurisdiction over all lawsuits brought by or on behalf of the government of the District of Columbia, to investigate and prosecute qui tam lawsuits that involve the District's Medicaid program. Typically, the OAG refers these cases to the MFCU for investigation and analysis. Members of the MFCU have developed expertise in analyzing and investigating these matters. After an analysis of the case is completed - which frequently includes a review of Medicaid claim and billing data - the MFCU and the OAG both determine how to proceed. In FY 2005, staff members from both agencies began meeting on a regular basis to discuss cases as well as the legal challenges these cases present. In December 2005, the MFCU will be making a formal presentation on qui tam lawsuits to staff

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## ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT

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members of the OAG. We anticipate that the OAG and the MFCU will continue this fruitful partnership in FY 2006.

### ABUSE AND NEGLECT

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 to 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.

During FY 2005, an important change in the procedure regarding the issuance of the Unit's arrest warrants occurred as a result of an informal agreement between the MFCU and the USAO. The USAO agreed that MFCU Special Agents could swear out arrest warrant affidavits on cases initiated by the MFCU. Prior to this agreement, the Unit relied on officers from the MPD to swear out its arrest warrants. Although the Unit has an excellent working relationship with the MPD, its arrest warrants would not always be given priority because of work constraints. The Unit's Special Agents do not have full law enforcement authority so

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## ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT

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officers from the MPD must execute the warrants. This change has had an enormous impact on the Unit. In FY 2005, 16 arrest warrants were issued for abuse or neglect matters that the MFCU had investigated. This is an unprecedented number of arrest warrants issued by the Unit – more than any other year of the MFCU’s existence. This procedural change has already made a significant difference on the Unit and will continue to make a difference in the future, allowing the MFCU to prosecute cases of abuse and neglect more expeditiously.

The MFCU obtained two convictions in FY 2005 of cases of abuse or neglect. One of these convictions was obtained after trial and in the other, the defendant entered a plea of guilty.

In *U.S. v. Londa*, the MFCU obtained a conviction against a former caregiver at a day treatment program for persons with mental retardation and developmental disabilities. The defendant pled guilty to one count of criminal abuse of a vulnerable adult. The defendant had been assigned to work as a caregiver for a mentally retarded man who could not provide for his own care. In the presence of other caregivers and other mentally retarded individuals, the defendant forcefully punched the man in the chest and stomach multiple times with his fists. The defendant then dragged the man several feet across a carpeted floor. As a result of the abuse, the man sustained various injuries including friction-type injuries to his leg, arm, and neck. D.C. Superior Court Judge Gregory Jackson sentenced the defendant to a 90-day term of imprisonment, suspended, one year of probation, 40 hours of community service, anger management counseling, drug and alcohol testing and treatment, and fines totaling \$1,000. In addition, the defendant was suspended from participation in all federal health-care programs for a term of 5 years.

Another example of the Unit’s work on abuse cases involving Medicaid recipient patients residing in group homes for the mentally retarded is shown in *U.S. v. McKinley*. The defendant, a caregiver in a residential home, was found guilty of assault of a vulnerable adult after trial. She had hit a resident with a plastic baseball bat. The defendant was sentenced in D.C. Superior Court to a 60-day term of imprisonment, suspended, and 1 year of probation. In addition, the defendant was ordered by the court to stay away from the victim and the group home where he resides. Finally, the defendant was ordered to report the conviction to present and prospective employers. The MFCU has requested that the defendant be excluded from participation in federal health-care programs for a term of 5 years.

The MFCU also prosecutes cases involving the financial exploitation of individuals living in Medicaid-funded facilities, including the theft of patient funds. In FY 2005, the MFCU obtained convictions in two cases involving financial exploitation of vulnerable adults. In *U.S. v. Jones*, the defendant, a health-care worker at a nursing home, stole property from a resident. In D.C. Superior Court, the defendant pled guilty to one count of second degree theft and was sentenced to a 20-day term of imprisonment, suspended, 5 months of supervised probation, alcohol and drug testing and treatment, and a \$50 payment to the

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## ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT

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victims of violent crime compensation fund. The MFCU has requested that the defendant be excluded from participation in federal health-care programs for a term of 5 years. In another case, *U.S. v. Corbett*, the defendant, who was apprehended inside a nursing home, pled guilty to attempted burglary. The defendant entered the nursing home in order to steal residents' property when they were not in their rooms. The defendant was sentenced to 3 years imprisonment, followed by 3 years probation, and ordered to pay \$100 in restitution.

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 sends a strong message to the professionals throughout the industry that due care must be taken to protect the safety and welfare of their vulnerable charges and that abuse will not be tolerated. In addition, 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. The MFCU always seeks to have these individuals excluded.

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 2005, 2,575 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. This represents an increase of almost 15% in unusual incident reports than were received in FY 2004, when the Unit received a record-breaking number of unusual incident reports. Accordingly, the MFCU receives approximately 215 unusual reports every month, which must be reviewed and investigated in a timely fashion. 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 residents. In FY 2005, the MFCU created a database, with the assistance of the OIG's Information System Division, which will capture data regarding abuse and neglect of residents in health-care facilities in the District. The MFCU believes that the database will assist the Unit in investigating its cases as well as identifying problem areas and trends that need to be addressed.

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## ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT

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### 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 MAA. 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). The MFCU has provided MAA with frank and substantive suggestions to maximize the productivity of both the SUR and the MFCU in the future. The Director and other staff members meet monthly with MAA managers to discuss incoming matters, referrals, and operational issues. This increased contact between the agencies, which have a Memorandum of Understanding, has improved communications.

As another example of systemic improvements in our operations, the MFCU now has limited direct online access to MAA's computerized database, the Medicaid Management Information System (MMIS), an automated claims payment and information retrieval system that tracks Medicaid providers, recipients, and claims made to Medicaid. Unit members can readily retrieve Medicaid data without requesting such information from MAA. In FY 2005, all MFCU staff who use MMIS attended training organized by MAA to update their understanding of the capabilities of MMIS. With greater access to MAA's computerized database, investigations can proceed more effectively, with fewer burdens on both MAA and MFCU personnel.

During FY 2005, 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 Introduction to Medicaid Fraud; the Certified Fraud Examiners Conference; Elder Abuse, Neglect, and Exploitation; Disability Fraud Issues, Detecting Fraud Through Document Analysis; Money Laundering Prevention; Investigation of Computer Crime; Evidence Technician Seminar; Photo Documentation; Advanced Interviewing Techniques; and writing workshops. In addition, the MFCU organized an in-house training at the OIG for MFCU and OIG staff members regarding quality of care cases. A MFCU staff attorney gave a presentation on nursing home quality of care litigation, discussing the legal and evidentiary challenges that these lawsuits present. Additionally, the Director of the MFCU was asked by the National District Attorneys Association to give presentations to prosecutors on Healthcare Fraud and Home Improvement Fraud at a conference in FY 2005.

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## ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT

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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 are based on potential problems or weaknesses in the Medicaid program as viewed from the perspective of the MFCU. The Unit issued three MARs in FY 2005. The following is a brief description of the problems and suggested corrective steps provided for consideration in each MAR.

#### **Management Alert Report Regarding Regulations Governing Free Standing Mental Health Clinics, MAR No. 04-M-02, January 19, 2005**

This MAR was issued to the Department of Health to inform it of a material lapse in the regulations governing Free Standing Mental Health Clinics (FSMHCs) and treatment of minor consumers. In the District of Columbia, FSMHCs are licensed to provide mental health services pursuant to District laws. Specifically, D.C. Code §§ 7-1231.14(b)(1)(A) and (B) (Supp. 2005) mandate that a mental health provider obtain prior consent of a parent or guardian for the treatment of a minor child as an outpatient, except when a minor is knowingly and voluntarily seeking the services and provision of the services is clinically indicated for the minor's well-being. During the course of an investigation, the MFCU learned that a FSMHC had not obtained parental consent for a minor child receiving outpatient services that were billed to the Medicaid program. There was no medical evidence or indication that the minor child was in need of such services. In addition, the FSMHC did not include any provision in its program manual addressing the rights of minors and the need to obtain parental consent when required by law. The MAR recommended that the Department of Health amend regulations governing FSMHCs to explicitly require that they take steps to fully conform with District laws and to ensure that proper procedures are followed in rendering mental health services to minors. In response to the MAR, Department of Health representatives agreed that there was merit in making special efforts to ensure that prior consent is obtained for the treatment of minors by FSMHCs when required by law.

#### **Management Alert Report Regarding Amending Fee Schedules Applicable to Van Transportation Service Providers, MAR No. 05-M-01, March 14, 2005**

This MAR recommended that MAA amend the fee schedules for van transportation for Medicaid providers. During an investigation, the MFCU discovered that at least one van transportation service provider claimed a higher wheelchair rate for the transportation of toddlers although the toddlers were ambulatory. The fee schedules maintained by MAA for van transportation set forth various rates for different levels of service and allow a higher rate of reimbursement for wheelchair transportation. The MFCU was told by the van transportation service that MAA had led it to believe that the use of the wheelchair rate for toddlers was permissible. In discussions with MAA, the MFCU learned that MAA's position

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## ACTIVITIES OF THE MEDICAID FRAUD CONTROL UNIT

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is that the ambulatory rate for reimbursement, with an assist, has been the proper rate to apply to toddlers who are not medically in need of wheelchairs. The fee schedules, however, are ambiguous and do not clearly state the policy directing providers to use the ambulatory rate, with an assist, when transporting toddlers. Accordingly, this ambiguity in the fee schedule has led to higher rates of reimbursement and overpayments to Medicaid providers. The MFCU recommended that MAA amend the fee schedules for van transportation to clearly explain the correct rate to apply when transporting toddlers who are not in medical need of a wheelchair.

On March 10, 2005, MAA issued Transmittal No. 05-07 to all D.C. Medicaid Non-Emergency Transportation Providers regarding claim billing procedures for transport of infants/children in car seats. The transmittal alerted transportation providers that procedure codes for ambulatory wheelchair vans should not be billed for infants/children in car seats and included the fee schedules for ambulatory vans.

### **Management Alert Report Regarding Criminal Background Checks for Unlicensed Professionals in District Health-Care Facilities, MAR No. 05-M-02, August 24, 2005**

This MAR was issued to alert the Department of Health to the existence of problems regarding criminal background checks conducted on prospective unlicensed employees by District of Columbia health-care facilities. During an investigation, the MFCU learned that a number of unlicensed employees of health-care facilities had convictions in violation of the Health-Care Facility Unlicensed Personnel Criminal Background Check Amendment Act of 2002, D.C. Law 14-98 (the "Act"). The Act requires criminal background checks on every prospective unlicensed employee in all jurisdictions in which that person has lived or worked, and prohibits facilities from hiring a person who has been convicted of certain enumerated offenses within the 7 years preceding the background check. The MFCU found that certain facilities were doing criminal background checks in a limited fashion; that is, criminal background checks were done solely for convictions within the District of Columbia even though applicants had listed out-of-state addresses and prior employment histories in jurisdictions other than the District on their employment applications. In addition, the MFCU found that health-care facilities that obtained criminal history checks from the MPD were only obtaining information regarding convictions in the District and the criminal history checks may not be accurate because the MPD conducts name-only searches.

Name-only searches are not an adequate screening method because the positive identification needed for a record search can only be obtained by a fingerprint-based search. Moreover, in examining the Act and its implementing regulations, the MFCU determined that they are flawed in that they allow opportunities for prospective employees to circumvent the stated purpose of the law - to protect the District's elderly population who are dependent on others for their day-to-day care. The current implementing regulations for the Act provide that a

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health-care facility shall require the applicant to provide the information necessary for the initiation of the background check. Prospective employees have enormous incentive to conceal prior criminal records and, under the current regulations, a prospective employee can, in effect, control the scope of his or her criminal background check by choosing what past addresses to provide to the facility. The MFCU concluded that under the current law, a facility loses the ability to determine if an applicant is concealing information.

The MFCU recommended that the Department of Health take the following steps: 1) notify all health-care facilities that a criminal background check conducted by the Metropolitan Police Department only reveals convictions in the District and may not be accurate; 2) make arrangements with the Metropolitan Police Department so that health-care facilities may obtain fingerprint-based criminal background checks from the Department of Justice; and 3) establish procedures to monitor health-care facilities that are not in compliance with the Act, and take appropriate corrective action, including notifying MAA. The MFCU also recommended that the Department of Health consider recommending to the Council of the District of Columbia that the Act and its implementing regulations be amended to clarify the definition of a background check; to require a criminal background check in all 50 states; and to require that the results of criminal background checks on Nurse Aides be reported to the Nurse Aide Abuse Registry.

### CONCLUSION

During FY 2005, the Unit obtained five 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, invitations to make presentations, and participation in other writing and training opportunities. It is clear that the MFCU is only beginning to hit its stride in its investigations against fraud, abuse, and neglect cases. Moreover, a number of pending cases in which the MFCU has invested significant resources are expected to reach resolution in FY 2006. The results of performance measures for the Medicaid Fraud Control Unit for FY 2005 are shown in Appendix Q.

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## **APPENDICES**



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**FISCAL YEAR 2005 TESTIMONY  
BY THE OFFICE OF THE INSPECTOR GENERAL**

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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 2005.

- |                   |   |
|-------------------|---|
| April 8, 2005     | Testimony Before the Committee on Government Operations – Fiscal Year 2006 Budget Review  |
| March 17, 2005    | Testimony Before the Committee on Health – Audits of the Department of Health HIV/AIDS Administration Office and the Ticket to Work Demonstration Waiver Program  |
| March 3, 2005     | Testimony Before the Committee on Human Services – Audit of Suspected Incidents of Foster Children Maltreatment Reported to the District of Columbia Child and Family Services Agency                                     |
| February 28, 2005 | Testimony Before the Committee on Government Operations – Fiscal Year 2004 Performance Review   |
| February 3, 2005  | Testimony Before the Committee on Government Operations – Public Roundtable on Contracting and Procurement in the District of Columbia: The Utilization of Local, Small, and Disadvantaged Business Enterprises, Part III |
| February 2, 2005  | Testimony Before the Committee of the Whole – Issuance of the District’s FY 2004 Comprehensive Annual Financial Report (CAFR)   |
| December 20, 2004 | Testimony Before the Committee on Government Operations – Contracting and Procurement in the District of Columbia   |



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**FISCAL YEAR 2005 OIG MEDIA HIGHLIGHTS**

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

"Employee Charged With Abuse at SE Group Home"  
November 2, 2004 (WP)

"Revoked Contracts Under Investigation"  
November 9, 2004 (WT)

"Podiatrist Sentenced in Medicaid Fraud"  
November 22, 2004 (WP)

"Inspector General to Probe Inmate Death"  
December 11, 2004 (WP)

"District Probing Contract Office"  
December 13, 2004 (WT)

"DMV Cited on Tour Bus Revenue"  
December 28, 2004 (WT)

"WASA Delayed Reporting Results"  
January 7, 2005 (WT)

"Lead Report Suggests Better Communications"  
January 8, 2005 (WP)

"Cab Voucher Program Opens Itself to Fraud"  
January 10, 2005 (WT)

"D.C. Weighs Controversial School Security Contract"  
January 24, 2005 (WP)

"Child Agency Botched Cases, D.C. Report Says"  
March 4, 2005 (WP)

"HIV/AIDS Agency Faulted"  
March 18, 2005 (WT)

"D.C. Officials Tighten Psychiatric Reviews"  
April 14, 2005 (WT)

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**FISCAL YEAR 2005 OIG MEDIA HIGHLIGHTS**

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“Audit: In-house Security Officers Have Cost Advantages in Schools”  
May 2005 (*Security Director News* – Vol. 2, No. 5)

“Williams Picks New Inspector General”  
May 18, 2005 (WJLA)

“D.C. Schools Plan for Internal Security”  
May 24, 2005 (WT)

“Official Questions D.C. Contracts”  
June 1, 2005 (WP)

“5 Contracts Scrutinized for \$23 Million Payout”  
June 1, 2005 (WT)

“Cost of School Security Contract Questioned”  
June 2, 2005 (WP – District Extra)

“D.C. Nonprofit Sues City Agency”  
June 18, 2005 (WP)

“Union Official Seeks Probe in OAG Matter”  
August 11, 2005 (WP – District Extra)

“D.C. Told to Enact New Rules for Licenses”  
August 19, 2005 (WT)

“Auditor to Scrutinize DCPS Problems”  
September 12, 2005 (Examiner)

“Group Home Care Giver Found Guilty of Assault of Vulnerable Adult”  
September 28, 2005 (US Fed News)

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**References:** *The Washington Post* – WP · *The Washington Times* – WT · ABC 7 News - WJLA

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**FISCAL YEAR 2005 AUDIT DIVISION  
PERFORMANCE MEASURE STATISTICS**

Activity	FY 2005 Target	FY 2005 Actual
OIG Reports Issued <sup>1</sup>	39	51
Potential Monetary Benefits	\$25 million	\$28 million
Percentage of Recommendations Followed-up on <sup>2</sup>	20%	60%
District Agency Coverage	22	28
Comprehensive Annual Financial Report (Audit) - Signed	2/1/05	1/24/05

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

<sup>2</sup> This is a new performance measure to follow up on 20 percent of recommendations made in the 3-year period prior to the review to determine rate of implementation by agencies. 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 2008.



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**FISCAL YEAR 2005 AUDIT AGENCY COVERAGE**


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<b>DISTRICT AGENCY/OFFICE</b>	
1	Child and Family Services Agency
2	Department of Consumer and Regulatory Affairs
3	Department of Corrections
4	Department of Health
5	Department of Housing and Community Development
6	Department of Human Services
7	Department of Mental Health
8	Department of Motor Vehicles
9	Department of Public Works
10	Department of Transportation
11	District of Columbia Housing Authority
12	District of Columbia Public Schools
13	District of Columbia Retirement Board
14	District of Columbia Water and Sewer Authority
15	Fire and Emergency Services Department
16	Medicaid Assistance Administration
17	Metropolitan Police Department
18	Office of Contracting and Procurement
19	Office of Finance and Resource Management
20	Office of Planning
21	Office of Property Management
22	Office of the Attorney General for the District of Columbia
23	Office of the Chief Financial Officer
24	Office of the Chief Technology Officer
25	Office on Aging
26	State Education Office
27	Washington Convention Center Authority
28	Youth Rehabilitation Services



**OPEN AUDIT RECOMMENDATIONS AS OF SEPTEMBER 30, 2004**

	<b>Agency</b>	<b>Total</b>	<b>Closed</b>	<b>Open</b>	<b>Percentage Remaining Open</b>
1	Department of Health	38	33	5	13%
2	Department of Housing and Community Development	18	16	2	11%
3	Department of Mental Health	33	30	3	9%
4	District Department of Transportation	20	19	1	5%
5	District of Columbia Housing Authority	18	17	1	6%
6	District of Columbia Public Schools	33	3	30	91%
7	District of Columbia Water and Sewer Authority	8	6	2	25%
8	Office of Contracting and Procurement	20	11	9	45%
9	Office of Planning	12	8	4	33%
10	Office of Property Management	12	3	9	75%
11	Office of the Attorney General for the District of Columbia	30	19	11	37%
12	Office on Aging	20	19	1	5%
	<b>Totals:</b>	<b>262</b>	<b>184</b>	<b>78</b>	



## FISCAL YEAR 2005 AUDIT COST AND RECOMMENDATION STATUS

No.	Report Title	Cost <sup>1</sup>	Recommendations	
			Made	Open
1	Department Of Consumer and Regulatory Affairs Professional Engineers' Fund Financial Statement Audit for The Fiscal Year Ended September 30, 2003. Issued October 22, 2004.	\$71,715	0	0
2	Audit of The Department of Housing and Community Development's Use of The Quick Payment Act in Grant Agreements. Issued November 30, 2004.	\$38,500	2	0
3	Audit of The District of Columbia's School Breakfast Program. Issued December 3, 2004.	\$7,700	5	1
4	Audit of The Department of Motor Vehicles' Participation in the International Registration Plan and the International Fuel Tax Agreement. Issued December 13, 2004.	\$123,935	8	0
5	Audit of The Department of Health Taxicab Voucher Program For Medicaid Recipients. Issued December 13, 2004	\$62,055	7	0
6	Audit of Elevated Levels of Lead in the District's Drinking Water. Issued January 5, 2005.	\$77,210	12	1
7	Audit of the Department of Housing and Community Development's Management of Cash Advances to the Greater Washington Urban League. Issued January 24, 2005.	\$177,100	12	0
8	Comprehensive Annual Financial Report of the Government of the District of Columbia for the Fiscal Year Ended September 30, 2004. Issued January 24, 2005.	\$2.2 mil	0	0
9	Highway Trust Fund Financial Statement Audit For The Fiscal Year Ended September 30, 2004. Issued January 28, 2005.	\$51,695	0	0
10	District of Columbia Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting. Issued February 4, 2005.	Included in CAFR contract	0	0
11	Audit of the Department of Motor Vehicles' Internal Operations. Issued February 7, 2005.	\$117,565	8	5
12	Audit of Suspected Incidents of Foster Children Maltreatment Reported to the District of Columbia Child and Family Services Agency. Issued March 2, 2005	\$140,770	7	2

<sup>1</sup> Costs were calculated as the number of hours charged multiplied by the Audit Division's Hourly composite rate.

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**FISCAL YEAR 2005 AUDIT COST AND RECOMMENDATION STATUS**


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No.	Report Title	Cost <sup>1</sup>	Recommendations	
			Made	Open
13	Audit of the District of Columbia Retirement Board. Issued March 4, 2005.	\$43,365	6	5
14	Benchmarking School Security of the District of Columbia Public Schools. Issued March 21, 2005.	\$78,645	0	0
15	District of Columbia Management Letter Fiscal Year 2004. Issued April 8, 2005.	Included in cost of the CAFR	30	30
16	Audit of the Department of Mental Health's Compliance with Periodic Psychiatric Examination Requirements. Issued April 12, 2005.	\$15,400	4	0
17	District of Columbia Public Schools Reportable Conditions in Internal Control over Financial Reporting and Management Letter Comments for the Year Ended September 30, 2004. Issued May 3, 2005.	Included in cost of the CAFR	29	29
18	District of Columbia Public Schools Budgetary Comparison Schedule for Fiscal Year 2004. Issued May 3, 2005.	Included in cost of the CAFR	0	0
19	Audit of Contracting Actions for the District's Administrative Services Modernization Program. Issued May 3, 2005.	\$87,850	12	6
20	Audit of Contracts Awarded To the Marasco Newton Group/Systems Research and Applications Corporation. Issued May 6, 2005.	\$87,500	16	16
21	Audit of The District of Columbia Department of Health's Management of The Ticket to Work Demonstration Waiver Program. Issued May 18, 2005.	\$44,590	5	4
22	Office of the Attorney General Antifraud Fund Financial Statement Audit for the Fiscal Year Ended September 30, 2003. Issued May 27, 2005.	\$5,355	0	0
23	Report on the Examination of The District of Columbia's Highway Trust Fund Forecast Statements for Fiscal Years 2005 - 2009 with Actual Audited Figures for FY 2004. Issued May 31, 2005.	\$29,470	0	0
24	Audit Performed to Detect the Presence of Lead in District of Columbia Residential Drinking Water. Issued June 10, 2005.	50,000	0	0

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**FISCAL YEAR 2005 AUDIT COST AND RECOMMENDATION STATUS**


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No.	Report Title	Cost <sup>1</sup>	Recommendations	
			Made	Open
25	Audit of the Department of Health HIV/AIDS Administration Office. Issued June 22, 2005.	\$165,515	20	20
26	Audit of Background and Training of Security Personnel at District of Columbia Public Schools. Issued July 15, 2005.	\$60,900	10	6
27	Audit of the District of Columbia One Fund. Issued July 8, 2005.	\$17,010	3	3
28	Management Letter Based on a Financial Statement Audit of the Professional Engineers' Fund for the Fiscal Year Ended September 30, 2003. Issued July 20, 2005.	\$13,195	7	3
29	Audit of District Agencies' Implementation of Audit Recommendations. Issued August 16, 2005.	\$38,500	3	3
		\$3,805,540	206	134



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**FISCAL YEAR 2005 AUDIT REPORT SUMMARIES**

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**Department of Consumer and Regulatory Affairs Professional Engineers' Fund  
Financial Statement Audit for the Fiscal Year Ended September 30, 2003, OIG No. 04-1-15CR, issued October 22, 2004.**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Department of Consumer and Regulatory Affairs-Professional Engineers' Fund as of September 30, 2003, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

Our audit did not identify any major issues of internal control weaknesses or non-compliance with regulations that we consider material or reportable conditions during our fiscal year 2003 audit. However, we will issue a management letter covering areas such as client waivers and cash receipts, where improvements can be made in the administration of the fund.

**Audit of the Department of Housing and Community Development's (DHCD) Use of the Quick Payment Act in Grant Agreements, OIG No. 05-1-04DB, issued November 30, 2004.**

We found that DHCD cited provisions of the D.C. Quick Payment Act (the Act) in the grant agreement between DHCD and the Greater Washington Urban League (GWUL), but 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 an administrative law judge of the District of Columbia Contract Appeals Board (the Board) if the Act applied to both contracts and grants, as our review of the applicable D.C. Code language (D.C. Code §§ 2-221.01 - 221.06 (2001)) appears to restrict the application of the Act to contracts. Further, the District's municipal regulations that govern the Community Development Program (10 DCMR §§ 6900-6999) provide very brief guidance concerning the method of payment for grants and do not mention the Act. Based on information provided by the Board, we concluded that DHCD should refrain from citing the Act in grant agreements and that a consistent policy is needed for all District agencies regarding the applicability and use of the Act for grant agreements.

We directed one recommendation to the Director, DHCD to refrain from further application and use of the Act in future grant agreements. The second recommendation was addressed to the Office of the Chief Financial Officer, to coordinate guidance with the D.C. Attorney General's Office on advising all District agencies that award grants to refrain from citing the Act in their grant agreements.

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**FISCAL YEAR 2005 AUDIT REPORT SUMMARIES**

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**Audit of the District of Columbia's School Breakfast Program, OIG No. 03-2-17GD, issued December 3, 2004.**

Our review showed that two School Food Authorities (SFAs) were generally in compliance with requirements. However, the other two SFAs did not have documentation available for review to ensure that participants met eligibility requirements, and these SFAs did not verify the family income reported for the student. These two SFAs did not have adequate support for expenses used in their calculation of average cost per meals. Our review also showed that one of these SFAs received excessive reimbursement in the amount of \$89,000, and another SFA was under-reimbursed by \$4,000 because it had support available to show it qualified for the higher severe-need, reimbursement rate.

This report contains five recommendations to correct the described deficiencies. The recommendations focus on establishing controls to ensure that eligibility guidelines are met and documented, federal reimbursement claims are paid timely and at the correct rates, and cost and participation data are maintained by the SFAs.

**Audit of The Department of Motor Vehicles' Participation in the International Registration Plan and the International Fuel Tax Agreement, OIG No. 04-2-07KV(a), issued December 13, 2004.**

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

**Audit of the Department of Health Taxicab Voucher Program For Medicaid Recipients, OIG 04-1-04HC, issued December 13, 2004.**

The audit disclosed that the Department of Health (DOH) Office of the Chief Financial Officer (OCFO) did not fully comply with all existing rules, regulations, and policies and procedures governing the use of District imprest funds. DOH OCFO also did not establish and implement effective internal policies and procedures or develop the necessary management and internal controls to adequately safeguard the funds against fraud, waste, and abuse. Further, DOH OCFO did not maintain documentation to support approximately \$44,000 in taxicab fare reimbursements.

The audit also disclosed that Medical Assistance Administration, Office of Program Operations (MAA OPO) did not establish an organized filing system to properly maintain Medical Necessity forms to account for all the Medicaid recipients who were issued taxicab vouchers during the 2-year period covered by our audit. Furthermore, MAA OPO had not reconciled or accounted for the number of taxicab vouchers issued to the 41 medical facilities during the audit period.

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**FISCAL YEAR 2005 AUDIT REPORT SUMMARIES**

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In our opinion, the failure to maintain and account for all of the Medical Necessity forms and the taxicab vouchers may have resulted in additional program costs to the District. As a result, we could not determine the number of recipients who participated in the program or ascertain if all of the taxicab vouchers issued by the 41 facilities during the audit period were for qualified recipients.

We addressed seven recommendations to the Director, Department of Health and the Chief Financial Officer that we believe are necessary to correct the deficiencies noted in this report.

**Audit of Elevated Levels of Lead in the District's Drinking Water, OIG No. 04-2-17LA, Issued January 5, 2005.**

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

**Comprehensive Annual Financial Report of The Government of The District of Columbia For The Fiscal Year Ended September 30, 2004, OIG No. 05-1-12MA, issued January 24, 2005.**

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

**Audit of the Department of Housing and Community Development's Management of Cash Advances to the Greater Washington Urban League, OIG No. 02-1-09DB(e), issued January 24, 2005.**

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

**Highway Trust Fund Financial Statement Audit for the Fiscal Year Ended September 30, 2004, OIG No. 04-1-22KA, issued January 28, 2005.**

In our opinion, the financial statements present fairly, in all material respects, in conformity with generally accepted accounting principles, the Fund's assets and liabilities as of September 30, 2004, and its revenues, expenditures, and changes in fund balance for the year then ended.

Our audit did not identify any major issues of internal control weaknesses or non-compliance with regulations that we consider material or reportable conditions during our fiscal year 2004 audit.

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**FISCAL YEAR 2005 AUDIT REPORT SUMMARIES**

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**District of Columbia Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting, OIG No. 05-1-11MA, issued February 4, 2005.**

In connection with the audit of the District of Columbia's general purpose financial statements for fiscal year 2004, KPMG LLP prepared the Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting. This report details identified reportable conditions. Reportable conditions involve matters 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 in the basic financial statements. The three reportable conditions disclosed in the report are: (1) Management of Disability Compensation Program; (2) Unemployment Compensation Claimant File Management; and (3) District Medicaid Provider Contract Administration (at the D.C. Public Schools level only). KPMG LLP also disclosed the need for District officials to better comply with procurement laws and regulations.

The report also indicates the extent to which the District corrected the conditions cited in the previous year. In this regard, we are pleased to report the improvements made by the Office of the Chief Financial Officer and District agencies in mitigating the risks associated with the Health Care Safety Net Administration Contract Management and District Medicaid Provider Accounting and Financial Reporting.

**Audit of the Department of Motor Vehicles' (DMV) Internal Operations, OIG No. 04-2-07KV(b), issued February 7, 2005.**

Our audit found that the DMV needs to update its policy and procedures manual to include additional procedures for processing customer refunds and dishonored checks. Our review of supporting documentation for 93 customer refunds totaling approximately \$10,000 disclosed that none of the refunds had been entered into DESTINY,<sup>1</sup> and the majority had not been properly documented. Further, the records for 16 refunds were unavailable for review.

Also, a review of DMV records for dishonored checks indicated loss revenues in the amount of \$62,848, of which \$21,889 is attributed to a lack of customer record identifiers<sup>2</sup> written on checks, and the acceptance of personal checks from individuals other than the registered vehicle owners. The remaining amount of \$40,959 is owed by one company and its affiliate. We noted that DMV has been unsuccessful in its attempts to collect on these checks totaling \$62,848.

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<sup>1</sup> DESTINY is the data management system used by DMV that provides driver's licensing, business licensing, and vehicle registration functions.

<sup>2</sup> Identifiers, such as a driver's license number, tag number, or transaction identification, are used to locate a customer's record in DESTINY in the event the record cannot be retrieved by an individual's name.

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**FISCAL YEAR 2005 AUDIT REPORT SUMMARIES**

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The report also includes the results of three Management Alert Reports (MAR) issued to the DMV during the course of the overall audit that required immediate attention to urgent audit issues. The issues addressed by the MARs centered on potential health hazards due to the presence of asbestos at a DMV location (MAR No. 04-A-11), controls over negotiable instruments (MAR No. 04-A-12), and loss revenue due to dishonored checks (MAR No. 04-A-13). MAR No. 04-A-13 is summarized in the body of this report, and the remaining two MARs are summarized at Exhibit B.

We directed eight recommendations to the DMV Director that we believe should improve the operations of the agency.

**Audit of Suspected Incidents of Foster Children Maltreatment Reported to the District of Columbia Child and Family Services Agency, OIG No. 03-2-11RL, issued March 2, 2005.**

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

**Audit of the District of Columbia Retirement Board (DCRB), OIG No. 03-1-22DY, issued March 4, 2005.**

We concluded that DCRB's investments were sound, reasonable, and administered in accordance with laws and regulations, and DCRB's operations were efficient and effective. We observed the Board of Directors conscientiously execute its fiduciary duties. However, we also concluded: (1) effective procedures and controls, such as criminal background checks, were generally not performed on DCRB trustees and staff to ensure compliance with the D.C. Code's prohibition against trustees and employees serving with certain criminal convictions; (2) executive staff did not consistently comply with DCRB's internal disclosure requirements and disclosure statements were not reviewed; and (3) DCRB had credit card accounts with limits far exceeding the yearly charges.

We directed six recommendations to the Executive Director to correct the deficiencies cited in the report.

**Benchmarking School Security of the District of Columbia Public Schools, OIG No. OIG 03-2-14GA (d), issued March 21, 2005.**

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

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**FISCAL YEAR 2005 AUDIT REPORT SUMMARIES**

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**District of Columbia Management Letter Fiscal Year 2004, OIG No. 05-1-16MA, issued April 8, 2005.**

In connection with the audit of the District of Columbia's general purpose financial statements for fiscal year (FY) 2004, KPMG LLP prepared a Management Letter which reported that over the last 5 fiscal years there has been a marked improvement in the management of the District's financial affairs. This Management Letter details certain matters involving internal control and other operational matters that require continued management attention.

KPMG set forth recommendations for correcting reportable conditions and other deficiencies. While the Office of the Inspector General 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.

**Audit of the Department of Mental Health's (DMH) Compliance with Periodic Psychiatric Examination Requirements, OIG 04-2-06RM, issued April 12, 2005.**

Our audit found that DMH did not adequately maintain listings of consumers subject to periodic examinations and did not adequately monitor its mental health providers to ensure examinations were conducted. Because of the sensitivity of such examinations and the need to ensure compliance with District law, we briefed DMH about this audit finding, made verbal recommendations for corrective action, and monitored the implementation of our verbal recommendations until such time that we could substantiate that consumers were being examined as intended.

During our audit, DMH aggressively addressed our recommendations to ensure mental healthcare providers were complying with statutory requirements relating to civilly committed consumers receiving timely examinations. Further, DMH actions have improved the process to ensure that consumers were examined in accordance with procedural legal requirements.

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**FISCAL YEAR 2005 AUDIT REPORT SUMMARIES**

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**District of Columbia Public Schools Reportable Conditions in Internal Control over Financial Reporting and Management Letter Comments for the year ended September 30, 2004, OIG No. 05-1-17GA, issued May 3, 2005.**

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, LLP prepared a summary of: *Reportable Conditions in Internal Control Over Financial Reporting and Management Letter Comments*. These reports provide information about DCPS' compliance with laws and regulations and the adequacy of internal controls, and also recommend actions to improve DCPS operations.

KPMG set forth recommendations for correcting reportable conditions and other deficiencies. In most cases, DCPS responded favorably to the recommendations contained in the reports and in some cases, corrective action has already been taken to remedy the issue.

**District of Columbia Public Schools Budgetary Comparison Schedule for Fiscal Year 2004, OIG No. 05-1-17MA, issued May 3, 2005**

As part of our contract for the audit of the District of Columbia's general purpose financial statements for fiscal year (FY) 2004, KPMG LLP prepared a final report on the District of Columbia Public Schools (DCPS) Budgetary Comparison Schedule – Governmental Funds.

KPMG LLP opined that the Schedule presents fairly, in all material respects, the original budget, final budget and actual revenues, expenditures, and other sources/uses of the DCPS - which represents a portion of the District of Columbia's General Fund and Federal and Private Resources Fund - for the year ended September 30, 2004, in conformity with accounting principles generally accepted in the United States of America.

**Audit of Contracting Actions for the District's Administrative Services Modernization Program, OIG 04-1-12MA, issued May 3, 2005.**

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

**Audit of Contracts Awarded to the Marasco Newton Group/Systems Research and Applications Corporation, OIG No. 05-2-03MA, issued May 6, 2005**

Our audit found that the Office of Contracting and Procurement (OCP) did not comply with the District's procurement regulations in awarding MNG/SRA certain labor-hour expert and consulting service contracts for the development of the District Response Plan (DRP). Specifically, OCP limited competition for task orders/ contracts amounting to about \$4.1

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**FISCAL YEAR 2005 AUDIT REPORT SUMMARIES**

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million between February 2002 and May 2004, citing justification as an emergency, sole source, or single available source contract; however, OCP failed to cite a sufficient basis for the procurement method used, as required by Title 27 of the DCMR. In several instances, neither OCP nor the Emergency Management Agency (EMA) designated a Contracting Officer Technical Representative (COTR)/contract administrator to monitor the contractor's performance. Further, we found that OCP did not obtain Council approval for contracts greater than \$1 million. Lastly, EMA and the office of the former Deputy Mayor for Public Safety and Justice did not timely address or document management actions relative to potential conflicts of interest that arose when a former MNG/SRA employee was permitted to monitor MNG/SRA's performance and current MNG/SRA contract employees were permitted to monitor and track Homeland Security funds to be used throughout the District.

These conditions occurred because contracting officials and program managers failed to prepare and maintain proper contractual documents, neglected to exercise sufficient contractor oversight, and did not implement sufficient management controls to prevent potential conflicts of interest. Although it appears that the District received services as outlined in the contractor's statements of work, we cannot be certain that the task order/contracts were awarded and that these services were acquired at the best price, and that overall best value was obtained for the services and goods received.

We directed eight recommendations to OCP that centered in part on adhering to District contracting regulations to ensure that all proposed sole source contracts are reviewed and approved before contract execution, that sole source contracts are awarded only after there is assurance that selected vendors are the best choice to provide services to the District in the most efficient and economical manner, and that contract files contain documentation to support that sole source contracting is adequately justified.

We also directed three recommendations to EMA that centered on providing documented assurance that senior management is free from personal and external impairments to independence, and work is not authorized in advance of a written contract.

Lastly, we directed one recommendation to the Deputy Mayor for Operations to request a post-award legal sufficiency review of contracts awarded to MNG/SRA to evaluate the working relationships relative to potential conflicts of interest between MNG/SRA and the District. The purpose of this recommendation is to address any internal control breakdowns that occurred in order to preclude the recurrence of potential conflicts of interest. The results of the legal review should be provided to this Office.

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**FISCAL YEAR 2005 AUDIT REPORT SUMMARIES**

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**Audit of the District of Columbia Department of Health's (DOH) Management of the Ticket to Work Demonstration Waiver Program , OIG No. 04-1-18MA, issued May 18, 2005.**

The audit disclosed that DOH did not comply with the matching funds requirement provisions contained in the Centers for Medicare and Medicaid Services (CMS) Grant Solicitation CFDA No. 93.779 and 42 U.S.C.S. § 1396d(b)(3) (LEXIS through P.L. 109-2).<sup>1</sup> Specifically, DOH obligated the District to incur program costs projected at \$12.1 million for the period January 1, 2002, through December 31, 2007, without establishing an approved budget to fund the District's share of program costs. Our review of Program operations from September 2002 to September 2004 showed that the Program incurred approximately \$7.5 million in expenditures, none of which were paid for using District funds.

As of September 30, 2004, the District was liable for a proportionate share of Program costs totaling approximately \$2.2 million. Further, DOH's non-compliance with the matching funds requirement provisions of the Grant Solicitation has placed the District at an increased risk of forfeiting the remaining balance of grant funds, which are in excess of \$21 million.

We brought this matter to the attention of MAA senior officials, as well as other DOH officials, who informed us they were unaware of the matching funds requirement. After presenting DOH officials with the documentation to substantiate this requirement, the officials agreed with our determination that the District was liable for \$2.2 million of program costs incurred during the period September 2002 to September 2004.

We also discussed this issue with officials from the OCFO, which resulted in preparation of an adjusting journal entry in the amount of \$1.8 million to pay for the District's share of program costs incurred during fiscal year 2004. However, \$400,000 (\$2.2 less \$1.8 million) remains to be funded with local dollars for fiscal year 2003.

On January 24, 2005, we met with the DOH Director and members of his senior staff informing them that a budget had not been established to fund the Program since its inception on January 1, 2002. We also informed DOH officials that we were unable to obtain documentation to determine whether a budget had been established to fund the Program for fiscal years 2005, 2006, and 2007. The DOH officials told us that efforts were underway to obtain funding for the Program for the remainder of the grant period.

We directed five recommendations to the Director, Department of Health that we believe are necessary to address the concerns described above.

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<sup>1</sup> Title 42 U.S.C.S. § 1396d(b) defines the federal Medicaid assistance percentage (FMAP), the federal government share of costs associated with the program, as 100 percent less the State percentage. For the District, the FMAP is 70 percent. *Id.*

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**FISCAL YEAR 2005 AUDIT REPORT SUMMARIES**

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**Office of The Attorney General Antifraud Fund Financial Statement Audit for the Fiscal Year Ended September 30, 2003, OIG No. 04-1-23CB, issued May 27, 2005.**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the District of Columbia Office of the Attorney General's Antifraud Fund as of September 30, 2003, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

Our audit did not identify any major issues of internal control weaknesses or non-compliance with regulations that we consider material or reportable conditions during our fiscal year 2003 audit.

**Report on The Examination of The District of Columbia's Highway Trust Fund Forecast Statements For Fiscal Years 2005 - 2009 With Actual Audited Figures For FY 2004, OIG No. 04-1-22KA(a), issued May 31, 2005.**

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

**Audit Performed to Detect the Presence of Lead in District of Columbia Residential Drinking Water, OIG No. 04-2-16LA, issued June 10, 2005.**

The audit disclosed that laboratory tests performed on the water samples returned by District residents indicate improvement when compared to the results of prior WASA tests. The OIG engaged the CPA firm of Sakyi & Associates to perform an independent statistical analysis to detect the presence of lead in drinking water at District residences and compare the results to previous WASA tests. Included in the analysis was the requirement to select water samples from District residences that were included in two universes of residences previously tested by WASA. Sakyi & Associates calculated the required statistical sample sizes and randomly selected residences to be tested from the two universes.

Sakyi & Associates provided the results of the water sample tests to the District residents who participated in the audit, to WASA, and the Department of Health for their review and any action deemed appropriate in accordance with law and regulation. We discussed the test results with WASA officials who indicated that WASA representatives would be available to discuss the test results with District residents.

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**FISCAL YEAR 2005 AUDIT REPORT SUMMARIES**

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**Audit of the Department of Health HIV/AIDS Administration Office, OIG No. 04-2-05HC, issued June 22, 2005.**

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

**Audit of Background and Training of Security Personnel at District of Columbia Public Schools, OIG No. 03-2-14ga(c), issued July 15, 2005.**

Our audit found that internal control weaknesses in the pre-employment hiring process of DCPS contract security personnel led to the questionable placement of some security officers working in the District's school system. This condition was caused by: (1) the security contractor and MPD's need to better coordinate on sharing employee background information; (2) the contractor's need to consistently perform background verifications, such as credit checks, employment history, and character references for all prospective security officers; (3) the contractor and MPD's need to maintain all of the required pre-employment documentation for each applicant; and (4) DCPS' need to provide sufficient oversight in monitoring this program. As a result, there are contracted security personnel working in DCPS who may pose a risk to the secure environment of students and staff. The security officers' licenses may not have been granted had their criminal background and other pre-employment information been sufficiently reviewed by the contractor and responsible District officials.

Additionally, the contractor did not fully meet the contract requirements for security training. We determined that 77 percent of reviewed test scores were unsupported in the contractor's training records, and there were no reasonable means to determine the basis for providing passing grades to individuals attending training courses. Further, the course covering the conduct of searches and seizures did not employ sufficient and effective instructional techniques to achieve proficiency in this subject matter. Lastly, the District does not have a set of training policies that address the training required for officers of private security firms operating under District contracts. As a result, there is no assurance that all contracted school security personnel possess the requisite skills to ensure the safety and security of DCPS students and faculty.

We believe that the comprehensive plan for school security and the recent Child and Youth, Safety and Health Omnibus Amendment Act of 2004 appears to address, and in some respects remedy, the deficiencies noted in the report.

As a result of our audit, we directed 10 recommendations for necessary actions to correct the described deficiencies. We received responses from the Superintendent of the District of Columbia Public Schools (DCPS) and the Chief of Police of the Metropolitan Police Department (MPD), on June 24, 2005, and July 8, 2005, respectively. DCPS' and MPD's

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**FISCAL YEAR 2005 AUDIT REPORT SUMMARIES**

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responses fully addressed all but one of the recommendations, and we consider the actions currently on-going and/or planned to be responsive to our remaining recommendations. We request that DCPS and MPD provide additional comments to Recommendation 10 that fully meet the intent of the recommendation.

**Audit of the District of Columbia One Fund, OIG No 05-2-02MA, issued July 8, 2005.**

Overall, we concluded that the District adhered to established policies and procedures governing the accounting, documentation, and reporting of One Fund contributions. However, our audit also disclosed that process improvements can be made to: (1) more timely transmit donations to identified charities; and (2) clarify language contained on pledge cards to better identify the responsible party for providing contributors' donation acknowledgement confirmations.

Additionally, we noted instances where policies and procedures needed strengthening, minor errors in transaction amounts needed correction, and improvements over accounting processes were needed.

We directed three recommendations to the One Fund Chairperson that we believe are necessary to correct the deficiencies noted in this report. The recommendations center on establishing a mechanism to more timely transmit donations to identified charitable organizations, clarifying language contained on pledge cards relative to acknowledgement of donations, and strengthening internal operating procedures.

**Management Letter Based On A Financial Statement Audit Of The Professional Engineers' Fund For The Fiscal Year Ended September 30, 2003, OIG No. 04-1-15CR(a), issued July 20, 2005**

We performed a review of existing internal controls and laws and regulations in accordance with generally accepted government auditing standards, to determine the extent of our auditing procedures. The review was not intended to be an exhaustive study of internal controls over financial reporting for the purpose of making detailed recommendations and would not have necessarily disclosed all weaknesses in the system. Additionally, we performed limited compliance tests to ensure that the Fund was administered in accordance with applicable laws and regulations.

Our report contained seven recommendations directed to the Director of DCRA and the Chief Financial Officer, Office of the Chief Financial Officer. On May 25, 2005, the OCFO provided a written response to the recommendations made in our draft management letter. In general, management concurred with the report; however, OCFO officials did not concur with recommendation number 7. The OCFO maintains the Professional Engineers' Fund

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**FISCAL YEAR 2005 AUDIT REPORT SUMMARIES**

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(PEF) legislation does not specify that interest earnings be allocated to the PEF and that future earnings continue to accrue to the District's general fund. Despite the fact the PEF legislation does not have specific language for interest allocations, we asked the OCFO to reconsider its position regarding PEF interest earnings, pending DCRA action on this recommendation.

On June 9, 2005, DCRA provided a written response to the recommendations made in our draft management letter. In general, management concurred with the report; however, regarding recommendation number 7, DCRA noted that interest earnings would be allocated when required by the funds' enabling legislation. While the PEF legislation is mute regarding interest allocations, DCRA will proceed with the request on the behalf of the District of Columbia Board of Professional Engineers.

**Audit of District Agencies' Implementation of Audit Recommendations, OIG No. 05-1-17MA, issued August 16, 2005.**

Our review identified that District agency officials reported to the OIG that action had been completed to address 259 of the 337 (77 percent) recommendations reviewed. The OIG verified documentation for 162 of these 259 recommendations to ensure that actions were actually completed and adequately closed the recommendation. Additionally, 10 of the 22 agencies adequately closed all recommendations at their agencies.

We directed three recommendations to the Director, District of Columbia Office of Risk Management that we believe are necessary to address concerns revealed during the audit. The recommendations focus on ensuring the accuracy and completeness of the data contained in the tracking database, and working collaboratively with District agencies to close open recommendations.



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**FISCAL YEAR 2005 INSPECTIONS AND EVALUATIONS DIVISION  
PERFORMANCE MEASURES STATISTICS**

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<b>Activity</b>	<b>FY 2005 Target</b>	<b>FY 2005 Actual</b>
Number of Inspections Conducted	4	4
Number of Inspection Reports Prepared	4	6 <sup>1</sup>
Number of Re-inspections Conducted	3	2
Number of Re-inspection Reports Prepared	3	2

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<sup>1</sup> Includes Management Alert Reports



**FISCAL YEAR 2005 INSPECTIONS AND EVALUATIONS DIVISION  
INSPECTION COST AND RECOMMENDATION STATUS**

<b>Inspection Title</b>	<b>Cost</b>	<b>Findings (Under Review)</b>	<b>Recommendations (Under Review)</b>
Department of Consumer and Regulatory Affairs I	\$132,679	27	43
Department of Consumer and Regulatory Affairs II	\$ 84,905	28	50
Special Evaluation for City Administrator	\$142,484	14	16
Office of Contracting and Procurement	\$ 64,031	17	28
Total Cost	\$424,099 <sup>1</sup>	86	137

<sup>1</sup> Costs were calculated as the total direct hours charged, multiplied by the composite rate of Inspection Division expenses. Comparable management studies by private firms would cost approximately \$1,505,131.



**FISCAL YEAR 2005 INSPECTIONS AND EVALUATIONS DIVISION  
RE-INSPECTION COST AND RECOMMENDATION STATUS**

Re-inspection Title	Cost	Recommendations	
		In Compliance	Compliance Pending
Department of Public Works/Parking Services Administration	\$28,932	23	20
Department of Public Works/Fleet Management Administration	\$23,858	32	17
Total Cost	\$52,790 <sup>1</sup>	55	37

<sup>2</sup> Costs were calculated as the total direct hours charged, multiplied by the composite rate of inspection Division expenses. Comparable management studies by private firms would cost approximately \$187,000.



**FISCAL YEAR 2005 INVESTIGATIONS DIVISION  
PERFORMANCE MEASURE STATISTICS**

<b>Activity</b>	<b>FY 2005 Target</b>	<b>FY 2005 Actual</b>
Number of investigations opened	120	121
Number of investigations closed	150	290
Number of matters referred	170	195
Number of referrals closed	130	169
Dollar value of recoveries and restitution (in \$ millions)	0.5	9.4
Number of indictments and informations	10	50
Number of investigative recommendations	35	21
Number of criminal convictions	10	12



**FISCAL YEAR 2005 INVESTIGATIONS DIVISION  
PERFORMANCE MEASURES STATISTICS  
FISCAL YEARS 2003 – 2005**

<b>Activity</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
Investigative Matters Addressed	408	421	455
Investigations Opened	124	107	121
Investigations Closed	290	253	290
Investigative Reports Prepared	18	8	15
Cases Referred	168	154	195
Referred Cases Closed	127	134	169
Cases Accepted by USAO	42	23	46
Cases Presented to USAO	59	60	71
Cases Presented to OAG	9	9	14
Asset Seizure	\$0	\$0	\$0
Restitution	\$350,317	\$4,926,115	\$261,821
Recoveries	\$0	\$10,658	\$9,466,312
Convictions	8	15	12
Indictments	6	14	11
MARs	4	1	3
FARs	0	0	0
MIRs	2	0	0



**FISCAL YEAR 2005 INVESTIGATION DIVISION  
CASES CLOSED BY AGENCY**

Agency	Total
Advisory Neighborhood Commissions	4
Alcoholic Beverage Regulation Administration	3
Auditor, Office of the District of Columbia	1
Board of Elections and Ethics	1
Chief Medical Examiner, Office of the	4
Child and Family Services Agency	12
City Administrator, Office of the	3
Council of the District of Columbia	1
D.C. Emergency Management Agency	1
D.C. General Hospital – Public Benefit Corporation	2
D.C. Housing Authority	1
D.C. Lottery and Charitable Games Control Board	1
D.C. National Guard	1
D.C. Office of Personnel	2
D.C. Office on Aging	1
D.C. Public Charter Schools	2
D.C. Public Schools	17
D.C. Retirement Board	1
D.C. Sports and Entertainment Commission	1
D.C. Superior Court	2
Dept. of Consumer and Regulatory Affairs	23
Dept. of Corrections	3
Dept. of Employment Services	13
Dept. of Fire and Emergency Medical Services	7
Dept. of Health	5
Dept. of Housing and Community Development	6
Dept. of Human Services	11
Dept. of Insurance and Securities Regulation	3
Dept. of Mental Health	1
Dept. of Motor Vehicles	13
Dept. of Parks and Recreation	5
Dept. of Public Works	10
Dept. of Transportation	9
Disability Compensation Fund	2
Executive Office of the Mayor	6
Metropolitan Police Department	20

**FISCAL YEAR 2005 INVESTIGATION DIVISION  
CASES CLOSED BY AGENCY**

Agency	Total
Office of the Chief Financial Officer	1
Office of the Chief Technology Officer	7
Office of Communications	1
Office of Contracting and Procurement	4
Office of the Attorney General	5
Office of the Inspector General	1
Office of Pay and Retirement Services	1
Office of Property Management	4
Office of Risk Management	1
Office of the Surveyor	1
Office of Tax and Revenue	3
Other	47
Police and Fire Retirement System	1
Pretrial Service Agency	1
Public Employee Relations Board	1
State Education Office	2
Taxicab Commission	3
University of the District of Columbia	2
Washington Metropolitan Area Transit Authority	1
Water and Sewer Authority	5
<b>Total Closed Investigations</b>	<b>290</b>

## FISCAL YEAR 2005 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	7	4	5	<b>16</b>
Physical assaults or threats of violence	1	1	3	1	<b>6</b>
Fraud, theft, or false claims	7	8	6	5	<b>26</b>
Bribery, extortion, kickbacks, or illegal gratuities	5	4	3	3	<b>15</b>
Misuse of government funds or property, or use of official position for private gain	7	0	5	1	<b>13</b>
Governmental waste, inefficiency, or mismanagement	1	8	12	5	<b>26</b>
Contract fraud or procurement violations	2	2	2	0	<b>6</b>
False statements	1	0	0	0	<b>1</b>
Ethics violations and conflicts of interest	1	4	1	2	<b>8</b>
Time and attendance fraud	2	0	3	3	<b>8</b>
Harassment, retaliation, or abuse of authority by a supervisor or by another government official	5	5	11	5	<b>26</b>
Hiring, promotion, or other treatment of employees in violation of personnel regulations	1	1	1	2	<b>5</b>
Incivility or lack of response from an agency	2	7	4	1	<b>14</b>
Miscellaneous	4	2	3	7	<b>16</b>
<b>TOTALS</b>	<b>39</b>	<b>49</b>	<b>58</b>	<b>40</b>	<b>186</b>



## FISCAL YEAR 2005 INVESTIGATIONS DIVISION REFERRAL STATISTICS

Agency	No. of Referrals	Agency	No. of Referrals
Alcoholic Beverage Regulation Administration	1	Housing Authority	4
Board of Elections and Ethics	1	Metropolitan Police Department	14
Child and Family Services Agency	6	Office of Advisory Neighborhood Commissions	3
Department of Consumer and Regulatory Affairs	28	Office of the Attorney General	4
Department of Corrections	2	Office of Cable Television and Telecommunications	1
Department of Employment Services	3	Office of the Chief Financial Officer	7
Department of Fire and Emergency Medical Services	2	Office of the Chief Medical Examiner	1
Department of Health	6	Office of the Chief Technology Officer	1
Department of Human Services	12	Office of Human Rights	5
Department of Insurance, Securities and Banking	3	Office of Inspector General (Audit Division)	1
Department of Mental Health	2	Office of Inspector General (Medicaid Fraud Control Unit)	3
Department of Motor Vehicles	20	Office of Local Business Development	1
Department of Parks and Recreation	3	Office of Personnel	4
Department of Public Works	8	Office of Property Management	1
Department of Transportation	3	Public Schools	17
Department of Youth Rehabilitation Services	1	DCPS Transportation Division	1
Energy Office	1	Superior Court of the District of Columbia	2
Executive Office of the Mayor *	8	Taxicab Commission	1
Federal **	12	University of the District of Columbia	2

**Total Referrals: 195**

* Mayor's Office of Boards and Commissions	1
Office of the City Administrator	2
Office of the General Counsel	3
Office of Risk Management	2
** Department of Agriculture OIG	1
Department of Defense OIG	1
Department of Justice OIG	1
Department of Transportation OIG	1
Department of Veterans' Affairs OIG	2
Federal Bureau of Investigations	1
Housing and Urban Development OIG	1
Postal Service OIG	2
Pension Benefit Guaranty Corporation	1
United States Supreme Court	1



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**FISCAL YEAR 2005 INVESTGATIONS DIVISION REFERRAL RESOLUTIONS**


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Referral Resolution	No. of Referrals
Agency Deadline Not Yet Expired	44
Referral Sent With No Response Requested	59
Allegations Unsubstantiated	13
Allegations Disproven	22
Agency Addressed Citizen's Complaints	14
Counsel, Training, or Instruction Provided	1
Written Warning or Reprimand	1
Restitution/Recovery/Fine *	3
Termination	2
Matter Referred for Criminal Prosecution	1
Agency Reviewed/Revised Its Procedures	6
Agency Explained the Issue/No Action Required	7
Case Closed Administratively	2
Agency Never Responded/Delinquency Letter to Mayor **	9
Agency Responded Following Delinquency Letter to Mayor ***	5
Miscellaneous ****	6
<b>Total</b>	<b>195</b>

\* \$26,493 (Total)

\*\* DCPS: 3            DDOT: 1            Department of Youth  
 DCRA: 3            DMV: 1            Rehabilitation Services: 1

\*\*\* DCRA: 1            MPD: 1  
 DMV: 2            UDC: 1

- \*\*\*\* 1. Subject died during investigation; as a result, DDOT declined to complete the investigation.  
 2. DCRA will require property owner to demonstrate compliance.  
 3. DHS will recommend punishment for subject when he/she returns from medical leave.  
 4. USAO declined prosecution and deadline for internal MPD discipline had expired.  
 5. Entire complaint was discovered to pertain to state of Oregon.  
 6. Insurance company made a book-keeping error.



**FISCAL YEAR 2005 MEDICAID FRAUD CONTROL UNIT  
PERFORMANCE MEASURE STATISTICS**

<b>Activity</b>	<b>FY 2005 Target</b>	<b>FY 2005 Actual</b>
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	2575
Number of fraud cases initiated	30	74*
Amount of recovered funds including damages assessed, penalties imposed, and overpayments recouped (millions of \$)	2.5	2.6
Number of division reports issued	15	16
Number of matters accepted for prosecution	15	20
Number of abuse cases initiated	20	94

\* Includes 14 matters involving theft of funds or property from vulnerable persons.



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