

**TESTIMONY OF THE INSPECTOR GENERAL
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BEFORE THE D.C. COUNCIL
COMMITTEE ON GOVERNMENT OPERATIONS
FISCAL YEAR 2007 BUDGET REVIEW**

APRIL 6, 2006

GOOD AFTERNOON, CHAIRMAN ORANGE AND MEMBERS OF THE COMMITTEE. I AM PLEASED TO TESTIFY TODAY CONCERNING THE PROPOSED FISCAL YEAR (FY) 2007 BUDGET REQUEST FOR THE OFFICE OF THE INSPECTOR GENERAL (OIG).

BUDGET OVERVIEW

OUR TOTAL REQUESTED OPERATING BUDGET FOR FY 2007 IS \$13.7 MILLION. THIS AMOUNT INCLUDES THE \$2.4 MILLION COST OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR), AS WELL AS A FEDERAL GRANT OF \$1.4 MILLION. THE OVERALL BUDGET REPRESENTS AN INCREASE OF \$777,510 OVER OUR FY 2006 APPROVED OPERATING BUDGET. OUR REQUEST FOR AN ADDITIONAL 5 FULL-TIME EQUIVALENTS (FTEs) FOR THE MEDICAID FRAUD CONTROL UNIT (MFCU) WILL BRING OUR OVERALL FY 2006 COMPLEMENT OF 113 EMPLOYEES TO 118.

LOCAL FUNDING

AS CURRENTLY REFLECTED IN THE MAYOR'S BUDGET, OUR PROPOSED FY 2007 LOCAL BUDGET IS \$12,364,501, REPRESENTING AN INCREASE OF \$718,156, OR 6.2 PERCENT, OVER THE FY 2006 BUDGET OF \$11,646,345. THE INCREASE IS DUE TO THE FOLLOWING: (1) A \$474,591 INCREASE IN PERSONAL SERVICES FOR SALARY STEP INCREASES AND THE NONUNION 4 PERCENT CITY-WIDE PAY RAISE; (2) A \$109,910 INCREASE IN NONPERSONAL SERVICES DUE TO ESCALATIONS IN FIXED COSTS AND OTHER ADJUSTMENTS; AND (3) AN INCREASE OF \$133,655 TO FUND THE

DISTRICT'S 25 PERCENT MATCH OF THE COST FOR THE ADDITIONAL PERSONNEL FOR THE MEDICAID FRAUD CONTROL UNIT.

FEDERAL FUNDING

THE PROPOSED FY 2007 FEDERAL BUDGET IS \$1,355,354, REPRESENTING AN INCREASE OF \$59,354, OR 4.6 PERCENT OVER THE FY 06 BUDGET OF \$1,296,000. THIS CHANGE IS PRIMARILY DUE TO SALARY STEP INCREASES AND THE NONUNION 4 PERCENT CITY-WIDE PAY RAISE. IN ADDITION, WE HAVE BEEN ADVISED BY THE U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES THAT THE FEDERAL BUDGET WILL SUPPORT 75 PERCENT OF THE COST OF THE ADDITIONAL 5 MFCU FTEs, AN AMOUNT ESTIMATED AT \$400,931, TO SUPPORT 3 FTEs. ONCE RECEIVED LATER THIS YEAR, THESE FUNDS WILL BRING THE OIG FEDERAL BUDGET TO \$1,756,285.

EFFECT OF BUDGET CUTS

ALTHOUGH CONGRESSIONAL LEGISLATION PROTECTS THE INSPECTOR GENERAL'S BUDGET REQUEST AS A MEANS OF ENSURING INDEPENDENT AND EFFECTIVE OVERSIGHT OPERATIONS, THE RECORD WILL SHOW THAT OUR OFFICE HAS BEEN VERY COOPERATIVE IN HELPING THE CITY STAY WITHIN BUDGET CONSTRAINTS. HOWEVER, THESE PAST REDUCTIONS HAVE ALL BUT ELIMINATED DISCRETIONARY FUNDING SO THAT ANY FURTHER CUTS NOW IMPACT PERSONAL SERVICE SPENDING AND RESOURCES THAT, IN FACT, RETURN MONEY TO THE CITY.

THE NONDISCRETIONARY BUDGET

A BRIEF ANALYSIS OF THE OIG BUDGET REVEALS THAT SEVERAL MILLION DOLLARS OF OUR FUNDING IS DESIGNATED FOR MATTERS OVER WHICH WE HAVE LITTLE CONTROL. FUNCTIONS REQUIRED BY LAW INCLUDE THE FOLLOWING:

- ADMINISTRATION OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR), WHICH IS CONTRACTED TO A CERTIFIED PUBLIC ACCOUNTING FIRM
- AUDIT OF THE HIGHWAY TRUST FUND
- AUDIT OF PROCUREMENT AND CONTRACT ADMINISTRATION
- AUDIT OF THE HOME PURCHASE ASSISTANCE FUND
- AUDIT OF THE HIGHWAY TRUST FUND 5-YEAR FORECAST
- AUDIT OF THE ANTIFRAUD FUND OF THE OFFICE OF THE ATTORNEY GENERAL
- AUDIT OF THE PROFESSIONAL ENGINEERS FUND
- REVIEW AND REPORT OF ANALYSIS OF ALL CANCELLATIONS OF CONTRACTS AND SOLICITATIONS
- MAINTENANCE OF A LIVE COMPLAINT HOTLINE
- REFERRAL OF CRIMINAL ALLEGATIONS TO THE U.S. ATTORNEY'S OFFICE (USAO) AND CONDUCTING INVESTIGATIONS AS NECESSARY
- FRAUD AND ABUSE INVESTIGATIONS REGARDING THE DISTRICT'S MEDICAID PROGRAM

PERFORMANCE MEASURES

BEFORE I BRIEFLY OUTLINE SOME OF THE ACCOMPLISHMENTS OF EACH OF OUR FOUR OPERATING DIVISIONS, IT IS WORTH NOTING THAT FY 2006 IS THE FIRST YEAR IN WHICH PERFORMANCE-BASED BUDGETING HAS BEEN IMPLEMENTED, RESULTING IN CERTAIN CHANGES TO OUR PERFORMANCE MEASURES. I WOULD LIKE TO ASSURE THE COMMITTEE THAT WE HAVE, WHERE APPROPRIATE, IMPLEMENTED MEASURES THAT WE CAN ADDRESS THROUGH OUR OWN EFFORTS AND TIMELINESS, INSTEAD OF OUTPUT MEASURES COMPOSED OF STATISTICS THAT ARE SOMETIMES BEYOND OUR CONTROL. THE CONVERSION TO PERFORMANCE-BASED MEASURES, HOWEVER, MEANS THAT WE HAVE USED DIFFERENT MEASURES IN FY 2005 AND FY 2006 TO DATE. TO AVOID

CONFUSION AND CONSERVE TIME, I WILL CONFINE MY COMMENTS ON PRODUCTIVITY TO SIGNIFICANT ACCOMPLISHMENTS THAT BRING HIGH LEVELS OF VALUE ADDED TO THE DISTRICT STAKEHOLDERS WHOM WE SERVE.

AUDIT DIVISION

IN THE AUDIT DIVISION, WE NOT ONLY EXCEEDED OUR PERFORMANCE GOALS, BUT WE CONTINUE TO REFINE AUDIT PROCESSES, AUDIT PLANNING, EXECUTION, AND REPORTING. THE RESULTS OF THESE ENHANCEMENTS HAVE ALSO HELPED TO IMPROVE THE TIMELINESS OF AUDITS PERFORMED.

THESE ACCOMPLISHMENTS HAVE ALSO BEEN RECOGNIZED BY OUR PEERS. IN THAT RESPECT, ON MARCH 2, 2006, REPRESENTATIVES FROM THE NATIONAL ASSOCIATION OF LOCAL GOVERNMENT AUDITORS (NALGA) COMPLETED A PEER REVIEW OF THE OIG'S AUDIT DIVISION. I AM PLEASED TO REPORT THAT THE AUDIT DIVISION RECEIVED AN UNQUALIFIED OPINION FROM THE PEER REVIEW TEAM. THE PEER REVIEW COVERED THE PERIOD JANUARY 1, 2003, THROUGH DECEMBER 31, 2005. A COMPANION MANAGEMENT LETTER OF THE SAME DATE NOTED AREAS WHERE THIS OFFICE EXCELLED. SPECIFICALLY, THE REPORT SHOWED THAT THE OIG AUDIT DIVISION HAS A COMPETENT, QUALIFIED, AND EXPERIENCED STAFF, AND THAT ITS AUDIT HANDBOOK THOROUGHLY ADDRESSED POLICIES AND PROCEDURES. IN ADDITION, IT WAS NOTED THAT THE AUDIT WORK WAS DOCUMENTED IN A COMPREHENSIVE AND WELL-ORGANIZED MANNER, THAT WE HAD ESTABLISHED AN EXTENSIVE AND EFFECTIVE QUALITY ASSURANCE FUNCTION, AND THAT OUR PROJECT SELECTION WAS INTENDED TO MAKE A SUBSTANTIAL CONTRIBUTION TO THE EFFICIENCY, EFFECTIVENESS, AND

ACCOUNTABILITY OF LOCAL GOVERNMENT IN THE DISTRICT OF COLUMBIA.

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, AND RESULTED IN A RETURN ON INVESTMENT EXCEEDING \$12 FOR EACH DOLLAR INVESTED.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

BY LAW, THE OIG IS RESPONSIBLE FOR CONTRACTING WITH AN INDEPENDENT AUDIT FIRM FOR THE CAFR AND OVERSEEING THE AUDIT PROCESS. TO ENSURE THAT THE AUDIT PROCESS RUNS SMOOTHLY, THE OIG CHAIRS AN OVERSIGHT COMMITTEE THAT MONITORS THE PROGRESS OF THE CAFR EACH YEAR. THE COMMITTEE ENSURES THAT OBSTACLES THAT MAY HINDER THE TIMELY COMPLETION OF THE AUDIT, OR MATTERS WHICH NEED DISTRICT MANAGEMENT'S ATTENTION, ARE DISCUSSED WITH THE APPROPRIATE DECISION MAKERS AND PROMPTLY RESOLVED. THE COMMITTEE MEETS REGULARLY THROUGHOUT THE YEAR TO ACHIEVE THAT GOAL. IN PREPARATION FOR THE FY 2005 CAFR, 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 PRIOR TO THE AWARD OF A CONTRACT TO A NEW CPA FIRM. THE WINNING BIDDER WAS BDO SEIDMAN, LLP.

THIS YEAR'S CAFR WAS ISSUED ON JANUARY 27, 2006. WITH THE ISSUANCE OF THE FY 2005 CAFR, THE CITY RECEIVED ITS NINTH CONSECUTIVE UNQUALIFIED OPINION ON ITS FINANCIAL STATEMENTS. THE AUDIT DIVISION'S BUDGET REQUEST INCLUDES ADDITIONAL

FUNDING OF \$2.4 MILLION FOR PROJECTED CONTRACT COSTS FOR THE FY 2006 CAFR AUDIT.

AUDIT EMPHASIS AREAS

DISTRICT OF COLUMBIA PUBLIC SCHOOLS (DCPS)

WE ARE PLEASED THAT THE OIG'S BUDGET HAS BEEN AUGMENTED, BEGINNING IN FY 2006, AND BEYOND, TO FUND A FULL-TIME RESIDENT AUDIT SITE AT DCPS. THIS MONTH, THE OIG WILL BEGIN OPERATION OF THIS SITE WHERE OIG AUDITORS WILL CONTINUOUSLY 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.

MEDICAID

DISTRICT EXECUTIVES AND MANAGERS ARE FACED WITH RISK/MANAGEMENT CHALLENGES RELATED TO THE ADMINISTRATION AND OPERATIONS OF THE DISTRICT'S MEDICAID PROGRAM, WHICH APPROXIMATES \$1 BILLION ANNUALLY. DUE TO THE SIZE OF MEDICAID REVENUES AND EXPENDITURES, THE NUMBER OF RESIDENTS WHO RELY ON MEDICAID FOR HEALTHCARE COVERAGE, AND THE COMPLEXITY OF

IMPLEMENTING AND MANAGING THE MEDICAID PROGRAM AT THE AGENCY LEVEL, THE OIG HAS FOCUSED AUDIT RESOURCES TO ADDRESS SEVERAL ISSUES RELATING TO THE DISTRICT'S MEDICAID PROGRAM. WE BELIEVE THAT A CENTRALIZED AUDIT EMPHASIS IS NECESSARY TO MITIGATE THESE RISKS AND IMPROVE MEDICAID FUNDING CONTROLS PRINCIPALLY AT THE MEDICAID ASSISTANCE ADMINISTRATION, DCPS, THE CHILD AND FAMILY SERVICES AGENCY, AND THE DEPARTMENT OF MENTAL HEALTH. ONGOING AUDITS INCLUDE: MEDICAID WAIVERS AND GRANTS, NURSING HOME OPERATIONS, MEDICAID NON-EMERGENCY TRANSPORTATION, MANAGED-CARE ORGANIZATIONS, AND THE MEDICAID MANAGEMENT INFORMATION SYSTEM.

INVESTIGATIONS DIVISION

DURING THE LAST FISCAL YEAR, THE INVESTIGATIONS DIVISION CONTINUED TO FOCUS ON CRIMINAL CASES WORKED JOINTLY WITH THE UNITED STATES ATTORNEY'S OFFICE (USAO) OR THE DISTRICT OF COLUMBIA OFFICE OF THE ATTORNEY GENERAL (OAG). THIS FUNCTION IS REQUIRED BY STATUTE AND IS SIGNIFICANT BECAUSE THE OIG HAS THE PRIMARY RESPONSIBILITY TO INVESTIGATE AND REFER FOR PROSECUTION THE CRIMINAL MISCONDUCT OF EMPLOYEES AND CONTRACTORS. WE INCREASED THE NUMBER OF CASES REFERRED AND ACCEPTED BY THE USAO – FOR FY 2005, 46 OUT OF 71 CASES PRESENTED WERE ACCEPTED FOR PROSECUTION BY THE USAO, WHEREAS IN FY 2004, THE USAO ONLY ACCEPTED 23 OUT OF 60 CASES PRESENTED BY OUR OFFICE. WE ALSO SIGNIFICANTLY INCREASED THE NUMBER OF CASES PRESENTED TO THE OAG IN THE LAST FISCAL YEAR – FROM 9 IN FY 2004 TO 14 IN FY 2005. AS A RESULT, THE CRIMINAL INVESTIGATIONS CONDUCTED IN FY 2005 BY OIG SPECIAL AGENTS – ALONE OR JOINTLY WITH OTHER LAW ENFORCEMENT AGENCIES – PRODUCED 12 CONVICTIONS, 11 INDICTMENTS, AND OVER \$9.5 MILLION IN RESTITUTION

AND RECOVERIES.

INCREASED ACTIVITY IN CRIMINAL PROSECUTIONS CONTINUES TO HIGHLIGHT OUR ACCOMPLISHMENTS THUS FAR IN FY 2006. DURING THE FIRST QUARTER OF THIS FISCAL YEAR ALONE, OUR JOINT INVESTIGATIONS RESULTED IN EIGHT ARRESTS, FOUR CONVICTIONS, SIX SENTENCINGS, AND APPROXIMATELY \$230,000 IN RESTITUTION AND RECOVERIES.

IN REGARD TO OUR ADMINISTRATIVE INVESTIGATIONS, THE INVESTIGATIONS DIVISION NEARLY DOUBLED THE NUMBER OF REPORTS OF INVESTIGATION PRODUCED – FROM 8 IN FY 2004 TO 15 IN FY 2005. IN ADDITION, OUR REFERRAL PROGRAM CONTINUES TO BE A VITAL TOOL IN OUR EFFORTS TO ADDRESS ADMINISTRATIVE MISCONDUCT IN OTHER DISTRICT GOVERNMENT AGENCIES AND PROGRAMS. IN FY 2005, WE REFERRED 195 MATTERS TO THE HEADS OF 35 DISTRICT AGENCIES. THUS FAR IN FY 2006, WE HAVE ALREADY REFERRED 75 ISSUES TO 25 DIFFERENT DISTRICT AND FEDERAL AGENCIES. IN GENERAL, OUR REFERRAL PROGRAM REQUIRES AGENCY HEADS TO ADDRESS COMPLAINTS OF MISMANAGEMENT, INEFFICIENCY, AND OTHER ADMINISTRATIVE ISSUES WITHIN THEIR RESPECTIVE AGENCIES. IN MOST CASES, WE MONITOR THE REFERRALS AND REQUIRE THE AGENCY TO PROVIDE US WITH A RESPONSE. AS A RESULT, OUR REFERRAL PROGRAM ALLOWS US TO QUICKLY RESOLVE THESE ISSUES; TO DATE, WE HAVE CLOSED 56 OF THE 75 REFERRALS MADE DURING FY 2006. THESE CASES PRODUCE SIGNIFICANT RESULTS – INCLUDING TERMINATIONS, DEMOTIONS, RETRAINING, CHANGED AND IMPROVED AGENCY POLICIES, AND OTHER ADMINISTRATIVE ACTIONS.

INSPECTIONS AND EVALUATIONS DIVISION

THE INSPECTIONS AND EVALUATIONS DIVISION, OR I&E, PROVIDES HIGHLY DETAILED REVIEWS OF THE MANAGEMENT AND KEY OPERATIONS OF DISTRICT AGENCIES. I&E FOCUSES PARTICULARLY ON HELPING TO IMPROVE THOSE AGENCIES WITH CRITICAL SERVICE DELIVERY RESPONSIBILITIES, AND THOSE IN WHICH SIGNIFICANT PROBLEMS COME TO THE ATTENTION OF THE MAYOR, THE COUNCIL, AND OTHER DISTRICT STAKEHOLDERS. DURING FY 2005, AND CURRENTLY IN FY 2006, THE DIVISION HAS ALSO PLAYED A LEADING ROLE IN RESPONDING TO REQUESTS FROM BOTH THE MAYOR'S OFFICE AND THE COUNCIL FOR SPECIAL EVALUATIONS OF GOVERNMENT PERFORMANCE ISSUES AFFECTING ALL DISTRICT STAKEHOLDERS. I&E RECOMMENDATIONS MADE TO AGENCY AND DEPARTMENT HEADS TYPICALLY CALL FOR CORRECTIVE MEASURES TO ENSURE THAT DISTRICT AND FEDERAL LAWS, REGULATIONS, AND POLICIES ARE FOLLOWED, THAT DEFICIENCIES ARE ADDRESSED, AND THAT OPERATIONS ARE IMPROVED.

DURING FY 2005, I&E MET ITS PRIMARY INSPECTION GOAL BY CONDUCTING THREE INSPECTIONS, AND CONDUCTING A SPECIAL EVALUATION, IN CONJUNCTION WITH OUR MEDICAID FRAUD CONTROL UNIT, WHEN REQUESTED BY THE CITY ADMINISTRATOR. THE DIVISION ALSO CONDUCTED TWO RE-INSPECTIONS OF DISTRICT AGENCIES, AND ISSUED FIVE MANAGEMENT ALERT REPORTS. COLLECTIVELY, THESE PROJECTS GENERATED 100 FINDINGS AND MORE THAN 150 RECOMMENDATIONS. I&E FOCUSES ITS ATTENTION ON THOSE AREAS THAT WILL HAVE THE GREATEST IMPACT AND RETURN ON OUR INVESTMENT OF LIMITED RESOURCES. THIS MEANS GIVING PRIORITY TO THOSE AGENCIES THAT DELIVER ESSENTIAL AND CRITICAL SERVICES TO DISTRICT CITIZENS ON A DAILY BASIS, SUCH AS THE DEPARTMENTS OF PUBLIC WORKS AND CONSUMER AND REGULATORY AFFAIRS.

OUR INSPECTIONS ARE A COST-EFFECTIVE METHOD FOR CITY AGENCIES TO ASSESS THEIR STRENGTHS AND WEAKNESSES AND THE EFFICIENCY AND EFFECTIVENESS OF THEIR SERVICE-DELIVERY RESPONSIBILITIES. HISTORICALLY, THE COST OF A COMPREHENSIVE INSPECTION OF A DISTRICT AGENCY PERFORMED BY I&E IS ABOUT ONE-THIRD THE COST CHARGED BY PRIVATE SECTOR CONTRACTORS FOR COMPARABLE MANAGEMENT STUDIES. WHERE OUR FINDINGS AND RECOMMENDATIONS RESULT IN GREATER EFFICIENCY, EFFECTIVENESS, AND SAFETY, THE DISTRICT CAN DERIVE A FISCAL BENEFIT. FOR EXAMPLE, IN A NUMBER OF INSTANCES, INSPECTIONS HAVE UNCOVERED SAFETY AND HEALTH ISSUES AFFECTING BOTH DISTRICT GOVERNMENT WORKERS AND CITIZENS THAT, LEFT UNCHECKED, COULD HAVE LED TO INJURIES AND EXPENSIVE MEDICAL COSTS, LAWSUITS, AND EVEN DEATHS. IF IMPLEMENTED, MOST MANAGEMENT AND OPERATIONAL CHANGES RECOMMENDED BY I&E CAN CONTRIBUTE TO LEANER, MORE EFFICIENT GOVERNMENT OPERATIONS THAT PROVIDE HIGH-QUALITY SERVICES, EVEN DURING PERIODS OF SEVERE BUDGETARY RESTRAINTS.

MEDICAID FRAUD CONTROL UNIT

AS A CERTIFIED MEDICAID FRAUD CONTROL UNIT (MFCU OR UNIT), THE MFCU AT THE OIG RECEIVES 75 PERCENT OF ITS FUNDING IN THE FORM OF A GRANT FROM THE UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES OFFICE OF INSPECTOR GENERAL. THE REMAINING 25 PERCENT IS FUNDED BY THE DISTRICT OF COLUMBIA.

THE MFCU'S ENFORCEMENT EFFORTS FALL INTO 2 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 FACILITIES, SUCH AS NURSING HOMES OR GROUP HOMES.

A SIGNIFICANT PORTION OF THE MFCU'S EFFORTS IS CONCENTRATED IN THE AREA OF FINANCIAL FRAUD AGAINST THE MEDICAID PROGRAM IN THE DISTRICT. AN EXAMPLE OF A SIGNIFICANT CASE IN FY 2005 INVOLVED A PROVIDER OF "RELIEF" NURSING STAFF WHO PLED GUILTY TO ONE COUNT OF HEALTH-CARE FRAUD FOR FALSIFYING DOCUMENTS THAT SHE PRESENTED TO 3 NURSING HOMES IN THE DISTRICT. THE PROVIDER FALSIFIED DOCUMENTS IN ORDER TO SHOW THAT UNCERTIFIED PERSONS WERE TRAINED AND QUALIFIED AS CERTIFIED NURSING ASSISTANTS. SHE THEN BILLED THE HOMES FOR THEIR SERVICES AND, IN TURN, THE FACILITIES, WHICH WERE COMPOSED OF APPROXIMATELY 95% MEDICAID AND MEDICARE RECIPIENTS, BILLED THE COSTS TO THE MEDICAID AND MEDICARE PROGRAMS. THE PROVIDER WAS SENTENCED TO 15 MONTHS IN PRISON, FOLLOWED BY 3 YEARS OF PROBATION. THE CONDITIONS OF PROBATION INCLUDED RESTITUTION IN THE AMOUNT OF \$73,902 OF WHICH THE DISTRICT'S MEDICAID PROGRAM RECEIVED \$61,561.

CURRENTLY, THE MFCU IS ENGAGED IN APPROXIMATELY 80 PROVIDER FRAUD INVESTIGATIONS, 60 OF WHICH WERE OPENED IN FY 2005. IN THE FIRST QUARTER OF FY 2006, THE UNIT OPENED 22 FRAUD INVESTIGATIONS, PUTTING IT ON TRACK TO INITIATE EVEN MORE FRAUD MATTERS IN FY 2006. A NUMBER OF THE MFCU'S FRAUD INVESTIGATIONS HAVE BEEN ACCEPTED FOR PROSECUTION BY THE UNITED STATES ATTORNEY'S OFFICE, AND THE MFCU EXPECTS TO RESOLVE SEVERAL OF THESE MATTERS DURING FY 2006.

IN TOTAL, THE MFCU RECOVERED MORE THAN \$2.6 MILLION IN FY 2005, DOUBLE THE AMOUNT OF MONEY IT RECOVERED IN FY 2004. THIS REPRESENTS A RETURN OF 6 DOLLARS FOR EVERY DISTRICT DOLLAR THAT FUNDS THE UNIT. A NOTABLE ACHIEVEMENT WAS THE DISTRICT'S

RECOVERY OF OVER \$1.4 MILLION AS PART OF A \$37.5 MILLION GLOBAL SETTLEMENT WITH GAMBRO HEALTHCARE, INC. FOR IMPROPERLY BILLING THE MEDICAID PROGRAM. THE MFCU CONTINUES TO PARTICIPATE IN GLOBAL SETTLEMENTS AND ANTICIPATES SUBSTANTIAL MONETARY RECOVERIES FOR FY 2006. TO DATE, THE MFCU ALREADY HAS RECOVERED OVER \$2 MILLION IN GLOBAL SETTLEMENTS SINCE THE START OF FISCAL YEAR 2006.

A SECOND IMPORTANT AREA ADDRESSED BY THE MFCU IS ABUSE OR NEGLECT OF INDIVIDUALS IN MEDICAID-FUNDED FACILITIES. THE UNIT HAS TAKEN SIGNIFICANT STEPS IN PREVIOUS YEARS TO PROTECT THE DISTRICT'S MOST VULNERABLE CITIZENS, AND IT CONTINUES TO MAKE THE PROTECTION OF THESE INDIVIDUALS A PRIORITY.

IN FY 2005, THE MFCU REVIEWED AND ASSESSED 2,575 REPORTS OF ABUSE, NEGLECT, OR FINANCIAL EXPLOITATION OF VULNERABLE ADULTS, AN INCREASE OF OVER 15 PERCENT FROM FY 2004. THE PERFORMANCE TARGET FOR THE UNIT WAS 400. THESE REPORTS INCLUDED ALLEGATIONS OF SEXUAL ASSAULT, INTENTIONAL AND NEGLIGENCE-RELATED INJURIES, AND STOLEN FUNDS AND PROPERTY. SIGNIFICANTLY, IN THE FIRST QUARTER OF FY 2006, THE UNIT RECEIVED OVER 1,055 REPORTS. IF THIS PACE REMAINS CONSTANT THROUGHOUT FY 2006, THE MFCU WILL RECEIVE OVER 4,000 REPORTS – AN ESCALATION THAT HAS BECOME INCREASINGLY DIFFICULT TO ADDRESS WITH THE MFCU'S PRESENT COMPLEMENT OF EMPLOYEES.

IN ADDITION TO REVIEWING REPORTS, THE MFCU INITIATED 94 ABUSE OR NEGLECT INVESTIGATIONS IN FY 2005, AN INCREASE OF 10 MORE CASES THAN IT INITIATED IN FY 2004. AND, TO DATE IN FY 2006, THE MFCU HAS INITIATED 26 NEW CASES OF ABUSE OR NEGLECT. IN FY 2005, THE UNIT OBTAINED 2 ABUSE OR NEGLECT CONVICTIONS, AND 2 CONVICTIONS

INVOLVING THE THEFT OF PATIENT FUNDS, BRINGING THE TOTAL NUMBER OF CONVICTIONS OBTAINED BY THE MFCU IN FY 2005 TO 5. THE UNIT HAS ALREADY OBTAINED 5 CONVICTIONS IN CASES INVOLVING ABUSE OR NEGLECT IN FY 2006.

IN FY 2005, THE MFCU ACHIEVED ALL 6 OF ITS PERFORMANCE GOALS, SIGNIFICANTLY EXCEEDING EXPECTATIONS ON 3 TARGET GOALS. STATISTICALLY, THE UNIT HAD ITS MOST SUCCESSFUL AND PRODUCTIVE YEAR AND IS ON TRACK TO ACHIEVE EVEN GREATER RESULTS IN FY 2006.

SINCE ITS INCEPTION IN 2000, THE MFCU'S STAFFING LEVELS HAVE REMAINED CONSTANT – ALTHOUGH ITS WORKLOAD AND PRODUCTIVITY HAVE STEADILY INCREASED. ACCORDINGLY, THE MFCU HAS INCLUDED IN ITS BUDGET FOR FY 2007 THE REQUEST THAT I ALLUDED TO EARLIER IN THIS TESTIMONY FOR AN INCREASE OF 2 FTES FROM THE LOCAL BUDGET AND 3 FTEs FROM THE FEDERAL GRANT FROM THE U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES. BASED ON PAST PERFORMANCE, THIS INVESTMENT WILL BRING SIGNIFICANT RETURNS, NOT ONLY IN FUNDS RETURNED TO THE DISTRICT'S TREASURY, BUT ALSO IN ENSURING THE INTEGRITY OF THE MEDICAL AND NURSING FACILITIES THAT CARE FOR OUR MOST VULNERABLE CITIZENS.

THIS CONCLUDES MY TESTIMONY, AND I WILL BE HAPPY TO RESPOND TO QUESTIONS.