

**TESTIMONY OF CHARLES J. WILLOUGHBY, INSPECTOR GENERAL
BEFORE THE
COUNCIL OF THE DISTRICT OF COLUMBIA
COMMITTEE ON GOVERNMENT OPERATIONS**

FISCAL YEAR 2012 PERFORMANCE OVERSIGHT HEARING

FEBRUARY 21, 2013

GOOD AFTERNOON CHAIRMAN MCDUFFIE AND MEMBERS OF THE COMMITTEE. I AM CHARLES J. WILLOUGHBY, INSPECTOR GENERAL FOR THE DISTRICT OF COLUMBIA. SEATED WITH ME ARE RONALD KING, ASSISTANT INSPECTOR GENERAL (AIG) FOR AUDITS; ALVIN WRIGHT, AIG FOR THE INSPECTIONS AND EVALUATIONS DIVISION; ALFRED MILLER, DEPUTY AIG FOR THE INVESTIGATIONS DIVISION; AND SUSAN KENNEDY, DIRECTOR OF THE MEDICAID FRAUD CONTROL UNIT.

I AM PLEASED TO TESTIFY AT THIS PERFORMANCE HEARING, WHICH COVERS THE OFFICE OF THE INSPECTOR GENERAL'S (OIG) REPORTING OF ACCOMPLISHMENTS IN FISCAL YEAR (FY) 2012 AND THE FIRST QUARTER OF FY 2013.

PERFORMANCE SUMMARY

EACH OF THE FOUR OIG DIVISIONS – AUDIT, INVESTIGATIONS, INSPECTIONS AND EVALUATIONS, AND THE MEDICAID FRAUD CONTROL UNIT (MFCU) – HAS A SEPARATE SET OF PERFORMANCE MEASURES THAT RELATE TO THE WAYS IN

WHICH OUR WORK ADDRESSES OIG STATUTORY RESPONSIBILITIES AND SUPPORTS CITYWIDE STRATEGIC PRIORITIES.

I WILL NOW PROVIDE AN OVERVIEW OF THE ACTIVITIES AND RESULTS OF EACH OF OUR FOUR DIVISIONS.

AUDIT DIVISION

AUDITS PERFORMED BY THE OIG INCLUDE BOTH PERFORMANCE AND FINANCIAL AUDITS TO IMPROVE ACCOUNTABILITY AND TO FACILITATE EFFECTIVE DECISION MAKING. IN ADDITION, THE AUDIT DIVISION OVERSEES THE CITYWIDE FINANCIAL AUDIT REFERRED TO AS THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR).

THE OIG HAS AND CONTINUES TO ASSIST DISTRICT MANAGEMENT IN ADDRESSING AND MITIGATING VARIOUS RISKS FACING THE CITY. IN FY 2012, THE AUDIT DIVISION CONTINUED TO FOCUS ON ISSUES SURROUNDING MEDICAID, PROCUREMENT AND CONTRACTING, VULNERABLE POPULATIONS, WORKFORCE ADMINISTRATION AND D.C. PUBLIC SCHOOLS (DCPS).

AUDIT STATISTICS

IN ORDER TO MEASURE OUR AUDIT PERFORMANCE AGAINST OUR GOALS, WE REPORT ON POTENTIAL MONETARY BENEFITS IDENTIFIED AND THE NUMBER OF REPORTS ISSUED. WE ALSO CONTINUE TO WORK TOWARD PROCESS

IMPROVEMENTS IN MEASURING OUR PRODUCTIVITY AND PERFORMANCE. IN THIS REGARD, BECAUSE OF THE IMPORTANCE WE PLACE ON AUDIT FOLLOW-UP, WE ALSO TRACK INTERNALLY THE STATUS OF RECOMMENDATIONS MADE AND DISTRICT AGENCY COVERAGE. WE TRACK AUDIT RECOMMENDATIONS SO THAT WE CAN ASSESS THE PROGRESS OF CORRECTIVE ACTIONS.

FOR FY 2012, THE AUDIT DIVISION EXCEEDED EXPECTATIONS ON ITS PERFORMANCE MEASURES. WE CONDUCTED AUDITS IN 29 PERCENT OF THE DISTRICT'S AGENCIES/OFFICES (OUR TARGET WAS 25 PERCENT). WE MET OUR TARGET OF ISSUING 28 FINAL AUDIT REPORTS, AND WE EXCEEDED OUR TARGET OF \$38 MILLION IN POTENTIAL MONETARY BENEFITS BY IDENTIFYING \$75 MILLION. COMPARING THESE BENEFITS TO AUDIT DIVISION COSTS OF APPROXIMATELY \$3 MILLION SHOWS A RETURN ON INVESTMENT FOR AUDITS PERFORMED BY OIG AUDIT STAFF OF \$25 FOR EACH DOLLAR INVESTED.

TO IDENTIFY SPECIFIC POTENTIAL BENEFITS FOR IMPLEMENTING RECOMMENDATIONS, THE OIG INCLUDES A SCHEDULE IN EACH AUDIT REPORT THAT LISTS EACH BENEFIT BY TYPE AND RECOMMENDATION, AND DESCRIBES EACH BENEFIT AS ECONOMY AND EFFICIENCY, INTERNAL CONTROL, COMPLIANCE, OR PROGRAM RESULTS. FOR FY 2012, THE AUDIT DIVISION MADE A TOTAL OF 158 RECOMMENDATIONS TO DISTRICT MANAGEMENT.

AUDIT HIGHLIGHTS BY THEME ARE AS FOLLOWS:

REVENUE ENHANCEMENT

AUDIT OF THE DISTRICT'S CONDOMINIUM CONVERSION FEES, OIG NO 08-1-18CR, FEBRUARY 17, 2012.

THE AUDIT OBJECTIVES WERE TO DETERMINE WHETHER: (1) OWNERS OBTAINED PROPER PERMITS TO CONVERT VACANT AND OCCUPIED BUILDINGS TO CONDOMINIUMS; (2) THE DISTRICT COLLECTED THE APPLICABLE CONVERSION FEE RELATIVE TO THE SALES PRICE OF EACH CONVERTED UNIT; (3) AN EFFECTIVE MECHANISM FOR COLLECTING REQUIRED CONVERSION FEES WAS IN PLACE; (4) REDUCTIONS OF CONDOMINIUM CONVERSION FEES WERE IN COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS; AND (5) THE DISTRICT ESTABLISHED INTERNAL CONTROLS TO SAFEGUARD COLLECTED CONVERSION FEES AGAINST FRAUD, WASTE, AND ABUSE.

WE DIRECTED 41 RECOMMENDATIONS TO THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT (DHCD) THAT WE BELIEVE ARE NECESSARY TO ADDRESS DEFICIENCIES IDENTIFIED DURING THE AUDIT. THE RECOMMENDATIONS FOCUS ON STRENGTHENING MANAGEMENT CONTROLS TO IMPROVE THE: (1) DISTRICT'S COLLECTION OF CONDOMINIUM CONVERSION FEES; (2) ACCURACY AND COMPLETENESS OF CONVERSION FEE DATA; (3) TIMELINESS OF RECEIVING AND DEPOSITING CONVERSION FEES; AND (4)

EFFECTIVENESS OF COMPLIANCE OVERSIGHT. POTENTIAL MONETARY BENEFITS RESULTING FROM THE AUDIT TOTALED \$36.9 MILLION.

SPENDING AND EFFICIENT USE OF RESOURCES

AUDIT OF CONSTRUCTION CONTRACTS AWARDED UNDER THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) TO THE DEPARTMENT OF TRANSPORTATION (DDOT), OIG NO. 10-1-13KA, FEBRUARY 15, 2012.

OUR AUDIT CONCLUDED THAT DDOT DID NOT EFFECTIVELY MANAGE THE CHANGE ORDER PROCESS FOR ARRA-FUNDED CONSTRUCTION CONTRACTS. SPECIFICALLY, DDOT OFFICIALS DID NOT: (1) TIMELY INFORM THE CONTRACTING OFFICER (CO) OF PROJECT DEVELOPMENTS REQUIRING CHANGE ORDERS AND OBTAIN AUTHORIZATION PRIOR TO CONTRACTOR PERFORMANCE; (2) OBTAIN FEDERAL HIGHWAY AUTHORITY APPROVAL PRIOR TO PROPOSED CHANGE ORDER (PCO) WORK; (3) ESTABLISH AND MONITOR INTERNAL CONTROLS OVER THE CHANGE ORDER PROCESS; AND (4) ADEQUATELY REVIEW AND NEGOTIATE THE ESTIMATED COSTS OF PCOS IN ACCORDANCE WITH STANDARD CONTRACT PROVISIONS.

WE DIRECTED 10 RECOMMENDATIONS TO DDOT THAT FOCUS ON: (1) DEVELOPING AND IMPLEMENTING STANDARD OPERATING PROCEDURES TO DEFINE THE PROCESS FOR CHANGE ORDERS AND ESTABLISHING EFFECTIVE INTERNAL CONTROLS; (2) HOLDING MANAGEMENT EMPLOYEES ACCOUNTABLE

FOR UPHOLDING THEIR RESPONSIBILITIES IN OVERSEEING CONSTRUCTION PROJECTS; AND (3) ASSESSING CURRENT PRACTICES FOR DESIGN REVIEWS AND NEGOTIATION OF CHANGE ORDER COSTS. AS A RESULT OF OUR AUDIT, POTENTIAL MONETARY BENEFITS TOTALED \$2 MILLION.

DELIVERY OF CITIZEN SERVICES

AUDIT OF MEDICAID CLAIMS AT THE DEPARTMENT OF HEALTH CARE FINANCE (DHCF), OIG NO. 09-2-29HF, FEBRUARY 16, 2012.

THE OBJECTIVE OF THE AUDIT WAS TO DETERMINE THE EFFECTIVENESS OF THE DHCF PROCESS FOR APPROVING MEDICAID CLAIMS FOR PAYMENT. WE DIRECTED FOUR RECOMMENDATIONS TO DHCF. THE RECOMMENDATIONS FOCUSED ON: 1) ENSURING CONTROLS ARE ESTABLISHED TO PREVENT PAYMENT OF CLAIMS TO MEDICAID RECIPIENTS WITH SERVICE DATES AFTER THE RECIPIENT'S DATE OF DEATH; 2) ESTABLISHING PROCEDURES TO ENSURE THAT DHCF STAFF REVIEWS MEDICAID PAYMENTS BEFORE PAYMENTS ARE DISTRIBUTED TO HEALTHCARE PROVIDERS; 3) RECOUPING \$662,934 PAID AFTER THE RECIPIENTS' DATES OF DEATH AND \$47,324 PAID IN EXCESS OF THE AMOUNT BILLED AS IDENTIFIED IN THIS REPORT; AND 4) ASSESSING THE CLAIMS ASSOCIATED WITH OUR LISTING OF \$22.6 MILLION IN LOW-DOLLAR CLAIMS PAID IN EXCESS OF THE AMOUNT BILLED. WE ALSO DIRECTED ONE RECOMMENDATION TO THE DEPARTMENT OF HUMAN SERVICES INCOME MAINTENANCE ADMINISTRATION (IMA). THE RECOMMENDATION FOCUSED ON

ENSURING THAT CONTROLS ARE ESTABLISHED TO VERIFY SSNs TO IMPROVE THE LIKELIHOOD THAT MEDICAID SERVICES ARE PROVIDED TO ONLY BONAFIDE RESIDENTS OF THE DISTRICT.

SUPPORT SERVICES

TRIENNIAL FOLLOW-UP AUDIT OF DISTRICT AGENCIES' IMPLEMENTATION OF AUDIT RECOMMENDATIONS FOR FYS 2008-2010, OIG NO. 11-1-08MA (a), SEPTEMBER 21, 2012.

THE RESULTS OF OUR AUDIT INDICATE THAT OIG RECOMMENDATIONS WERE NOT TIMELY RESOLVED. WE CONDUCTED AUDIT TESTING AT 21 DISTRICT AGENCIES IN OUR AUDIT UNIVERSE TO DETERMINE WHETHER THEY HAD IMPLEMENTED AGREED-TO ACTIONS IN RESPONSE TO OUR AUDIT RECOMMENDATIONS. DISTRICT AGENCY OFFICIALS REPORTED THAT: (1) ACTION HAD BEEN COMPLETED INDICATING THAT 206 OF 239 (86 PERCENT) OF THE RECOMMENDATIONS HAD BEEN REVIEWED; AND (2) 33 (14 PERCENT) OF THE RECOMMENDATIONS REMAINED OPEN.

WE ALSO FOUND THAT AGENCIES MAY HAVE: (1) IMPLEMENTED CORRECTIVE ACTIONS, BUT DID NOT MAINTAIN APPROPRIATE SUPPORTING DOCUMENTATION FOR RECOMMENDATIONS REPORTED AS CLOSED; OR (2) REPORTED RECOMMENDATIONS AS CLOSED WITHOUT IMPLEMENTING THE NECESSARY CORRECTIVE ACTIONS. WE SELECTED 68 OF THE 239

RECOMMENDATIONS DIRECTED TO 9 DISTRICT AGENCIES FOR VERIFICATION. WE WERE ONLY ABLE TO VERIFY THAT 35 OF THE 68 RECOMMENDATIONS (51 PERCENT) WERE ACTUALLY CLOSED BASED ON DOCUMENTATION MAINTAINED BY AGENCY OFFICIALS.

WE ISSUED SIX SEPARATE MANAGEMENT ALERT REPORTS, WHICH REPORTED THE RESULTS OF OUR VERIFICATION OF REPORTEDLY CLOSED RECOMMENDATIONS AT EACH RESPECTIVE AGENCY. WE DIRECTED TWO RECOMMENDATIONS TO THE OFFICE OF RISK MANAGEMENT (ORM) THAT WE BELIEVE ARE NECESSARY TO ADDRESS DEFICIENCIES IDENTIFIED DURING THE AUDIT. THE RECOMMENDATIONS FOCUS ON FOLLOWING UP WITH DISTRICT AGENCIES ON RECOMMENDATIONS THAT REMAIN OPEN TO ENSURE TIMELY RESOLUTION AND THAT DISTRICT AGENCIES MAINTAIN SUFFICIENT SUPPORTING DOCUMENTATION FOR ALL AUDIT RECOMMENDATIONS REPORTED AS CLOSED.

DISTRICT OF COLUMBIA PUBLIC EDUCATION PROGRAMS

AUDIT OF THE MANAGEMENT OF TRUANCY AT DISTRICT OF COLUMBIA PUBLIC SCHOOLS, OIG 09-1-32GA, AUGUST 10, 2012.

THIS REPORT CONTAINED THREE FINDINGS THAT DETAIL THE CONDITIONS FOUND DURING OUR AUDIT. IN OUR FIRST FINDING, WE NOTED THAT SCHOOLS DID NOT HAVE THE REQUIRED OR APPROPRIATE NUMBER OF STAFF TO

EFFECTIVELY IMPLEMENT THEIR ATTENDANCE PROGRAMS. IN OCTOBER 2009, DCPS LAID OFF 388 SCHOOL EMPLOYEES WHICH LEFT SOME HIGH SCHOOLS WITHOUT ATTENDANCE COUNSELORS.

OUR SECOND FINDING INDICATED THAT DCPS DID NOT DEVELOP A MECHANISM TO TRACK USEFUL TRUANCY DATA, SUCH AS THE NUMBER OF STUDENTS THAT WERE PICKED UP BY THE METROPOLITAN POLICE DEPARTMENT (MPD), OR THE NUMBER OF STUDENTS THAT WERE REFERRED TO THE CHILD AND FAMILY SERVICES AGENCY (CFSA) FOR EDUCATIONAL NEGLECT.

OUR THIRD FINDING INDICATED THAT TRUANCY POLICIES, PROTOCOLS, AND PROCEDURES NEED REVISION. FOR EXAMPLE, WE BELIEVE THAT THE POLICY REQUIRING DCPS TO REFER STUDENTS TO THE COURT SYSTEM ONCE THEY ACCUMULATE 25 ABSENCES RESULTS IN STUDENTS MISSING A SIGNIFICANT AMOUNT OF INSTRUCTION TIME, WHICH NEGATIVELY IMPACTS THEIR ABILITY TO SUCCESSFULLY COMPLETE THE ACADEMIC TERM.

WE DIRECTED FIVE RECOMMENDATIONS TO THE CHANCELLOR OF DCPS TO CORRECT THE DEFICIENCIES NOTED IN THIS REPORT. THE RECOMMENDATIONS FOCUS ON: 1) ENSURING SCHOOLS HAVE THE NECESSARY RESOURCES TO IMPLEMENT ATTENDANCE PROGRAMS; 2) TRACKING TRUANCY STATISTICS TO ASSIST DCPS IN DEVELOPING ADDITIONAL STRATEGIES TO COMBAT TRUANCY; 3) STRENGTHENING POLICIES AND PROCEDURES TO ENSURE STUDENTS ARE

TIMELY REFERRED TO THE COURT SYSTEM; 4) REVISING POLICIES AND PROCEDURES TO ENSURE SCHOOL OFFICIALS FOLLOW CONSISTENT PROCEDURES FOR HANDLING TRUANCY; AND 5) ENSURING SCHOOL ATTENDANCE PLANS ADDRESS THE REQUIRED PROCEDURES AND CONTAIN UPDATED INFORMATION.

INSPECTIONS AND EVALUATIONS DIVISION

THE INSPECTIONS AND EVALUATIONS DIVISION (I&E) PROVIDES OBJECTIVE, THOROUGH, AND TIMELY ASSESSMENTS OF THE MANAGEMENT AND KEY OPERATIONS OF DISTRICT AGENCIES. I&E FOCUSES PARTICULARLY ON THOSE AGENCIES RESPONSIBLE FOR SERVICE DELIVERY, AND THOSE IN WHICH SIGNIFICANT PROBLEMS COME TO THE ATTENTION OF THE MAYOR, THE COUNCIL, AND OTHER STAKEHOLDERS. I&E RECOMMENDATIONS TO AGENCY 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. I&E ALSO CONDUCTS OR COORDINATES PRIORITY SPECIAL EVALUATIONS AND PROJECTS INITIATED IN RESPONSE TO REQUESTS FROM THE EXECUTIVE OFFICE OF THE MAYOR AND BY COUNCILMEMBERS.

INSPECTION STATISTICS

I&E'S PERFORMANCE GOAL FOR FY 2012 WAS TO ISSUE 10 REPORTS. I&E MET THIS GOAL BY PUBLISHING 10 REPORTS: 6 REPORTS OF SPECIAL EVALUATION; 3 MANAGEMENT ALERT REPORTS (MARS); AND 1 REPORT OF INSPECTION. THE REPORTS OF SPECIAL EVALUATION PRIMARILY ADDRESSED MATTERS OF CONCERN TO VULNERABLE POPULATIONS. MOST NOTABLY, I&E ISSUED A JANUARY 2012 REPORT ENTITLED *SUFFICIENCY OF DISTRICT AGENCY SERVICES PROVIDED TO A DISTRICT RESIDENT*. THIS WARD 4 RESIDENT DIED IN AUGUST 2011 IN HIS HOME AFTER SEVERAL-YEARS OF DECLINE INTO SELF-NEGLECT, LIVING IN DANGEROUSLY UNHEALTHY CONDITIONS, AND ABERRANT BEHAVIOR. THE FACT THAT THE RESIDENT HAD INTERACTIONS WITH VARIOUS DISTRICT GOVERNMENT ENTITIES GENERATED QUESTIONS ABOUT THE SUFFICIENCY OF THE DISTRICT'S WELL-INTENTIONED EFFORTS TO HELP. THE OIG SOUGHT TO DETERMINE ANY NEED FOR CHANGE AND IMPROVEMENT IN THE DELIVERY OF DISTRICT SERVICES IN SUCH CASES, AND THE FINAL REPORT CONTAINED 13 RECOMMENDATIONS. I&E ALSO PUBLISHED REPORTS OF SPECIAL EVALUATION PERTAINING TO MPD'S YOUTH INVESTIGATIONS DIVISION, THE DEPARTMENT OF EMPLOYMENT SERVICES' OFFICE OF UNEMPLOYMENT COMPENSATION, THE DEPARTMENT OF HUMAN SERVICES' OFFICE OF SHELTER MONITORING, AND TWO HOMELESS SHELTERS.

MANAGEMENT ALERT REPORTS (MARS)

I&E ISSUES MARS TO AGENCY HEADS AND THE CITY ADMINISTRATOR WHEN INSPECTORS BELIEVE MATTERS REQUIRE IMMEDIATE OR PRIORITY ATTENTION. ONE SUCH FY 2012 REPORT ADDRESSED THE POOR CONDITION AND OPERABILITY OF THE DISTRICT'S PRIMARY FIREBOAT, THE JOHN H. GLENN, JR., WHICH IS OVER 50 YEARS OLD. SINCE THE OIG ISSUED THAT MAR, FEMS REPORTED THAT THE GLENN MUST BE REPLACED BECAUSE "IT IS NO LONGER COST EFFECTIVE TO REFURBISH, REPAIR AND MAINTAIN THE BOAT IN GOOD OPERATING CONDITION AS OPPOSED TO REPLACING THE VESSEL WITH A NEWER BOAT WITH ADDITIONAL CAPABILITIES." FEMS ESTIMATED THE FUNDING, PROCUREMENT, AND DESIGN/BUILD PROCESSES FOR A REPLACEMENT FIREBOAT WOULD TAKE APPROXIMATELY 5 YEARS. ALSO, IN APRIL 2012, I&E SENT A MAR TO THE CITY COUNCIL'S COMMITTEE OF THE WHOLE AFTER LEARNING THAT DCPS IS NOT CONDUCTING MANDATORY DRUG AND ALCOHOL TESTING OF ITS SAFETY-SENSITIVE EMPLOYEES AS REQUIRED BY LAW.

MEASURES OF EFFECTIVENESS

WHILE I&E'S PERFORMANCE IS PRIMARILY MEASURED BY THE NUMBER OF FINAL REPORTS ISSUED, OVERALL EFFECTIVENESS IS INDICATED BY THE FINDINGS IDENTIFIED, THE RECOMMENDATIONS MADE TO AGENCY MANAGERS, AND IMPROVEMENTS THAT AGENCIES MAKE TO OPERATIONS IN

RESPONSE TO THOSE RECOMMENDATIONS. I&E'S FY 2012 REPORTS CONTAINED 53 FINDINGS AND 94 ACTIONABLE RECOMMENDATIONS AIMED AT MITIGATING DEFICIENCIES AND ENHANCING DISTRICT GOVERNMENT OPERATIONS. DURING THE COURSE OF A PROJECT, I&E ALSO MAY ISSUE A "COMPLIANCE FORM FOR PRIORITY MATTER" THAT ASKS AGENCY OFFICIALS TO CORRECT THE MOST SERIOUS DEFICIENCIES QUICKLY AND REPORT BACK TO THE OIG ON WHAT WAS DONE. I&E ISSUED 11 COMPLIANCE FORMS IN FY 2012, NEARLY ALL OF WHICH PERTAINED TO CONDITIONS OBSERVED IN FEMS FIRE STATIONS DURING I&E'S RE-INSPECTION OF THOSE FACILITIES. THE REPORT ON THAT RE-INSPECTION WAS PUBLISHED DURING THE CURRENT FISCAL YEAR.

I&E FOLLOW-UP ACTIVITIES

I&E ALSO REGULARLY MONITORS AGENCIES' IMPLEMENTATION OF OIG RECOMMENDATIONS. IN OCTOBER 2012, I&E ISSUED A *SUMMARY OF I&E COMPLIANCE ACTIVITIES*, WHICH SUMMARIZES DISTRICT AGENCIES' COMPLIANCE WITH RECOMMENDATIONS PRESENTED IN PUBLISHED REPORTS. I&E COMMUNICATES REGULARLY WITH INSPECTED AGENCIES REGARDING THE PROGRESS AND STATUS OF OPEN RECOMMENDATIONS.

FY 2013 INSPECTION ACTIVITIES

I&E SPECIAL EVALUATIONS IN PROGRESS THUS FAR IN FY 2013 INCLUDE REVIEWS OF:

- THE MANAGEMENT AND OVERSIGHT OF GROUP AND SHELTER HOMES THAT SERVE YOUTH WHO ARE UNDER THE SUPERVISION OF THE DEPARTMENT OF YOUTH REHABILITATION SERVICES;
- DISTRICT AGENCIES' IMPLEMENTATION OF MANDATORY DRUG AND ALCOHOL TESTING OF EMPLOYEES WHO HOLD SAFETY-SENSITIVE POSITIONS; AND
- EMPLOYEE STAFFING AND SCHEDULING PRACTICES AT THE FIRE AND EMERGENCY MEDICAL SERVICES DEPARTMENT.

MORE DETAILS REGARDING PLANNED AND ONGOING I&E PROJECTS CAN BE FOUND IN THE OIG'S ANNUAL *AUDIT AND INSPECTION PLAN*, WHICH IS POSTED ON OUR WEBSITE. SO FAR THIS FISCAL YEAR, I&E HAS PUBLISHED FIVE REPORTS, ALL OF WHICH CAN BE FOUND AT [HTTP://WWW.OIG.DC.GOV](http://www.oig.dc.gov).

FINALLY, I WOULD ALSO NOTE THAT LAST SUMMER, A PEER REVIEW TEAM FROM THE ASSOCIATION OF INSPECTORS GENERAL TRAVELED TO THE DISTRICT TO REVIEW I&E'S OPERATIONS AND PROCEDURES. THE TEAM MEMBERS CONCLUDED UNANIMOUSLY THAT I&E MET ALL CURRENT AND RELEVANT STANDARDS PROMULGATED BY THE COUNCIL OF THE INSPECTORS GENERAL FOR INTEGRITY AND EFFICIENCY, THE ORGANIZATION THAT OVERSEES THE FEDERAL IG COMMUNITY. I&E UNDERGOES THESE PEER REVIEWS EVERY 3 YEARS.

INVESTIGATIONS DIVISION

IN FY 2012, THE INVESTIGATIONS DIVISION CONDUCTED BOTH CRIMINAL INVESTIGATIONS, MANY OF WHICH RESULTED IN PROSECUTIONS, AND SIGNIFICANT ADMINISTRATIVE INVESTIGATIONS, RESULTING IN RECOMMENDATIONS TO THE DISTRICT AGENCIES INVOLVED. WE BELIEVE THAT THESE OUTCOMES SERVE AS SIGNIFICANT DETERRENDS TO OFFICIAL MISCONDUCT.

WE OPENED 173 CRIMINAL INVESTIGATIONS AND PRESENTED 61 CRIMINAL CASES TO THE UNITED STATES ATTORNEY'S OFFICE FOR THE DISTRICT OF COLUMBIA (USAO), 18 OF WHICH WERE ACCEPTED FOR PROSECUTION. OUR CRIMINAL INVESTIGATIONS RESULTED IN 12 ARRESTS, 1 INDICTMENT, AND 10 CONVICTIONS. TWENTY-TWO PEOPLE RECEIVED SENTENCES INCLUDING IMPRISONMENT, HOME DETENTION, PROBATION, COMMUNITY SERVICES, RESTITUTION, AND FINES. IN ADDITION, INDIVIDUALS CONVICTED AS A RESULT OF INVESTIGATIONS DIVISION INVESTIGATIONS WERE ORDERED TO PAY A TOTAL OF \$836,545.16 IN RESTITUTION. OUR SPECIAL AGENTS WORKED A NUMBER OF THESE CRIMINAL INVESTIGATIONS JOINTLY WITH OTHER LAW ENFORCEMENT AGENCIES, INCLUDING THE USAO, THE FEDERAL BUREAU OF INVESTIGATION (FBI), THE U.S. OFFICE OF PERSONNEL MANAGEMENT (OPM) OIG, U.S. IMMIGRATION AND CUSTOMS ENFORCEMENT (ICE), AND THE METROPOLITAN POLICE DEPARTMENT.

EXAMPLES OF THE CRIMINAL INVESTIGATIONS CONDUCTED BY THE INVESTIGATIONS DIVISION DURING FY 2012 INCLUDE THE FOLLOWING:

1. OUR JOINT INVESTIGATION WITH THE DEPARTMENT OF LABOR OIG, REVEALED THAT SEVERAL D.C. GOVERNMENT EMPLOYEES AND MEMBER OF THE PUBLIC FRAUDULENTLY RECEIVED DOES UNEMPLOYMENT INSURANCE COMPENSATION BENEFITS. WORKING UNDER THE GUIDANCE OF THE U.S. ATTORNEY'S OFFICE, OIG INVESTIGATORS SUCCESSFULLY CONVICTED SIX DEFENDANTS FOR FRAUD IN THE FIRST AND SECOND DEGREE. THE DEFENDANTS WERE ORDERED TO PAY A TOTAL OF \$111,107.00 IN RESTITUTION. IN ADDITION, THE OIG REFERRED 92 CASES TO THE OFFICE OF THE ATTORNEY GENERAL (OAG) FOR CIVIL RECOUPMENT IN REGARD TO OTHER UNEMPLOYMENT INSURANCE COMPENSATION BENEFITS FRAUD CASES.
2. OIG INVESTIGATORS CONDUCTED AN INVESTIGATION INVOLVING A FORMER DEPARTMENT OF HUMAN SERVICES (DHS) EMPLOYEE AND A MEMBER OF THE PUBLIC WHO STOLE IDENTIFYING INFORMATION AND OBTAINED LINES OF CREDIT IN THE NAMES OF 176 VICTIMS AND THEN USED THE LINES OF CREDIT AND/OR ACCESSED VICTIM BANK ACCOUNTS TO PURCHASE MERCHANDISE, PAY BILLS, AND PAY D.C. PARKING TICKETS. THE TOTAL AMOUNT OF FRAUDULENT CHARGES TO THOSE LINES OF CREDIT WAS \$92,720.00. THE FORMER DHS

EMPLOYEE PLED GUILTY TO CONSPIRACY AND FRAUD AND WAS SENTENCED TO 78 MONTHS OF INCARCERATION, PAYMENT OF \$ 92,720 IN RESTITUTION, AND 3 YEARS OF SUPERVISED RELEASE. THE MEMBER OF THE PUBLIC WAS SENTENCED TO 97 MONTHS OF INCARCERATION, PAYMENT OF \$92,720 IN RESTITUTION, AND 3 YEARS OF SUPERVISED RELEASE.

3. AN OIG INVESTIGATION REVEALED THAT A FORMER OCFO TAX EXAMINER DEvised A SCHEME TO DEFRAUD THE DISTRICT THROUGH FRAUDULENT TAX REFUNDS ON DORMANT ACCOUNTS. BETWEEN FEBRUARY 2007 AND JANUARY 2011, THE EMPLOYEE STOLE \$413,651 FROM THE OCFO. THE FORMER OCFO TAX EXAMINER PLED GUILTY TO WIRE FRAUD AND WAS SENTENCED TO 30 MONTHS OF INCARCERATION, 3 YEARS OF SUPERVISED RELEASE, AND PAYMENT OF \$413,651.00 IN RESTITUTION.

OIG INVESTIGATORS ALSO CONDUCTED ADMINISTRATIVE INVESTIGATIONS WHICH DETERMINED THAT DISTRICT EMPLOYEES VIOLATED DISTRICT REGULATIONS, INCLUDING THE DISTRICT'S STANDARDS OF CONDUCT, AND MADE SPECIFIC RECOMMENDATIONS TO THE AGENCIES INVOLVED. IN FY 2012, WE ISSUED 7 REPORTS OF INVESTIGATION, WHICH CONTAINED A TOTAL OF 37 RECOMMENDATIONS FOR ADMINISTRATIVE ACTION AGAINST DISTRICT EMPLOYEES AND/OR POLICY AND PROCEDURE RECOMMENDATIONS. EXAMPLES OF OUR SUBSTANTIATED

ADMINISTRATIVE INVESTIGATIONS INCLUDE THE FOLLOWING:

1. THE OIG ISSUED A REPORT IN AUGUST 2012, AFTER A JOINT INVESTIGATION WITH THE U.S. DEPARTMENT OF EDUCATION/OIG INTO ALLEGATIONS OF CHEATING ON THE D.C. COMPREHENSIVE ASSESSMENT SYSTEM (DC CAS) STANDARDIZED EXAMS ADMINISTERED BY DCPS. WHILE THE INVESTIGATION DID NOT REVEAL EVIDENCE OF CRIMINAL ACTIVITY OR WIDESPREAD CHEATING ON THE DC CAS EXAMS, THE INVESTIGATION DID REVEAL DEFICIENCIES AND PROBLEM AREAS, WARRANTING 17 RECOMMENDATIONS FOR DCPS ACTION.
2. AN OIG INVESTIGATION REVEALED THAT AN ALCOHOL AND BEVERAGE REGULATION ADMINISTRATION (ABRA) SUPERVISORY INVESTIGATOR USED HIS OFFICIAL POSITION TO SOLICIT PREFERENTIAL TREATMENT AND IMPROPERLY RECEIVE A BENEFIT FROM THE OWNER OF A NIGHTCLUB FOR WHICH HE HAD RESPONSIBILITY FOR INSPECTING. THE INVESTIGATION RESULTED IN THE REFERRAL OF THREE RECOMMENDATIONS TO ABRA, INCLUDING ADDRESSING THE SUPERVISORY INVESTIGATOR'S CONDUCT WITH APPROPRIATE ADMINISTRATIVE ACTION AND CREATING A POLICY REGARDING ON-AND OFF-DUTY CONDUCT OF ABRA INVESTIGATORS WHO PATRONIZE ABRA-REGULATED ESTABLISHMENTS.

3. AFTER CONDUCTING AN INVESTIGATION, THE OIG DETERMINED THAT A PROTECTIVE SERVICES POLICE DEPARTMENT (PSPD) LEAD POLICE OFFICER IMPROPERLY ACCESSED AND QUERIED CONFIDENTIAL INFORMATION ON GOVERNMENT COMPUTER SYSTEMS FOR NON-OFFICIAL PURPOSES, IN VIOLATION OF APPLICABLE REGULATIONS. THE INVESTIGATION RESULTED IN THREE RECOMMENDATIONS TO PSPD, INCLUDING ADDRESSING THE LEAD POLICE OFFICER'S CONDUCT WITH APPROPRIATE ADMINISTRATIVE ACTION AND HAVING ALL PSPD EMPLOYEES WITH ACCESS TO CONFIDENTIAL COMPUTER DATABASES SIGN AN APPROPRIATE USE POLICY.

THE INVESTIGATIONS DIVISION ALSO OPERATES A REFERRAL PROGRAM BY WHICH THE OIG REFERS TO OTHER DEPARTMENTS AND AGENCIES ADMINISTRATIVE MATTERS THAT CAN BEST BE ADDRESSED BY THOSE AGENCIES. IN MANY CASES, THE OIG SEEKS RESPONSES TO THESE REFERRALS TO ENSURE THAT THE MATTERS ARE HANDLED APPROPRIATELY.

OUR INVESTIGATIONS DIVISION ANNUALLY RECEIVES APPROXIMATELY 2,000 CALLS THROUGH ITS HOTLINE PROGRAM. DURING FY 2012, OUR INVESTIGATORS PROCESSED 790 NEW COMPLAINTS, OPENED 227 FORMAL INVESTIGATIONS, AND REFERRED A TOTAL OF 485 MATTERS TO THE HEADS OF 51 DISTRICT AGENCIES, 23 FEDERAL AGENCIES, 6 STATE AGENCIES, AND 1 OTHER OIG DIVISION.

IN THE FIRST QUARTER OF FY 2013, INVESTIGATORS PROCESSED 166 NEW COMPLAINTS, OPENED 64 NEW INVESTIGATIONS, AND REFERRED A TOTAL OF 102 MATTERS TO DISTRICT AND FEDERAL AGENCIES FOR APPROPRIATE ACTION. OF THE 64 NEW INVESTIGATIONS OPENED, 50 ARE CRIMINAL, 10 ARE ADMINISTRATIVE, AND 4 ARE PRELIMINARY MATTERS.

THE INVESTIGATIONS DIVISION EXCEEDED ITS GOALS IN ALL THREE PERFORMANCE MEASURES FOR FY 2012, AS FOLLOWS:

1. AS TO THE EVALUATION OF ALL COMPLAINTS WITHIN 10 DAYS OF RECEIPT IN THE INVESTIGATIONS DIVISION.

GOAL: 85% **ACTUAL:** 99 %

2. AS TO THE COMPLETION OF EVERY PRELIMINARY INVESTIGATION WITHIN 30 WORKING DAYS OF ASSIGNING THE CASE TO AN INVESTIGATOR IN THE INVESTIGATIONS DIVISION.

GOAL: 80% **ACTUAL:** 94 %

3. AS TO THE PREPARATION OF A REFERRAL LETTER TO THE APPROPRIATE DISTRICT DEPARTMENT OR AGENCY WITHIN 10 WORKING DAYS OF A COMPLAINT BEING ASSIGNED TO THE INVESTIGATIONS DIVISION REFERRAL PROGRAM.

GOAL: 85% **ACTUAL:** 99 %

IN ADDITION, THE INVESTIGATIONS DIVISION CONTINUED ITS PROGRAM OF CONDUCTING CORRUPTION PREVENTION LECTURES TO INFORM DISTRICT

GOVERNMENT EMPLOYEES OF THE CRIMINAL, ETHICAL, AND ADMINISTRATIVE RULES DISTRICT GOVERNMENT EMPLOYEES ARE REQUIRED TO FOLLOW. THIS OUTREACH EDUCATES DISTRICT GOVERNMENT EMPLOYEES ON THE OFFICE OF THE INSPECTOR GENERAL'S MISSION SO THAT THEY CAN FULFILL THEIR OBLIGATIONS TO REPORT CRIME, CORRUPTION, AND ETHICAL VIOLATIONS APPROPRIATELY. IN FY 2012, THE INVESTIGATIONS DIVISION CONDUCTED 6 CORRUPTION PREVENTION LECTURES THAT WERE ATTENDED BY MORE THAN 450 DISTRICT EMPLOYEES.

MEDICAID FRAUD CONTROL UNIT

THE MEDICAID FRAUD CONTROL UNIT (MFCU) INVESTIGATES AND PROSECUTES (1) ALLEGATIONS OF FINANCIAL FRAUD AGAINST THE MEDICAID PROGRAM COMMITTED BY PROVIDERS, AND (2) ABUSE, NEGLIGENCE, OR FINANCIAL EXPLOITATION OF PERSONS WHO RESIDE IN MEDICAID-FUNDED FACILITIES, SUCH AS NURSING HOMES AND GROUP HOMES. FY 2012 CONTINUED TO BE PRODUCTIVE FOR THE MFCU.

ANTI-FRAUD EFFORTS

MFCU ENFORCEMENT EFFORTS CONSIST OF INVESTIGATIONS AND PROSECUTIONS OF FINANCIAL FRAUD AGAINST THE MEDICAID PROGRAM. IN FY 2012, THE MFCU RESOLVED 11 CASES OF FRAUD THROUGH CRIMINAL CONVICTIONS AND CIVIL SETTLEMENTS, RECOUPING APPROXIMATELY \$3.8

MILLION FOR THE MEDICAID PROGRAM. CONVICTIONS INCLUDED THAT OF AN OWNER OF A PRIVATE SCHOOL FOR SPECIAL NEEDS STUDENTS WHO BILLED FOR SERVICES NOT PROVIDED, AND THE OWNERS OF A DURABLE MEDICAL EQUIPMENT COMPANY WHO ENGAGED IN FRAUDULENT BILLING PRACTICES. IN ANOTHER MATTER, AFTER AN EXTENSIVE INVESTIGATION BY MFCU STAFF, ALONG WITH FBI AND DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) OIG AGENTS, A CHIEF EXECUTIVE OFFICER (CEO) OF A HEALTHCARE COMPANY WAS CHARGED WITH ONE COUNT OF HEALTHCARE FRAUD AND 34 COUNTS OF SUBMITTING FALSE STATEMENTS AND BILLING THE MEDICAID PROGRAM FOR MORE THAN \$7 MILLION. THE DEFENDANT WAS CONVICTED AFTER A JURY TRIAL IN FEDERAL DISTRICT COURT AND SENTENCED TO 75 MONTHS IN PRISON AND ORDERED TO REIMBURSE THE D.C. MEDICAID PROGRAM MORE THAN \$3 MILLION.

THE MFCU IS CURRENTLY WORKING ON 102 MATTERS INVOLVING ALLEGATIONS OF PROVIDER FRAUD, 41 OF WHICH WERE INITIATED IN FY 2012. THESE INVESTIGATIONS INVOLVE ALLEGATIONS OF FRAUD RELATING TO A BROAD VARIETY OF HEALTHCARE PROVIDERS, FROM INSTITUTIONS TO SOLO PRACTITIONERS. MEDICAL SPECIALISTS INVOLVED IN THE MFCU'S CASES INCLUDE PHYSICIANS, DENTISTS, PHARMACISTS, MEDICAL EQUIPMENT SUPPLIERS, AND HOME HEALTHCARE AND TRANSPORTATION PROVIDERS. IN ADDITION, THE MFCU IS WORKING ON 240 *QUI TAM* MATTERS.

IN ADDITION TO INITIATING CASES, THE MFCU ENGAGES IN ANTI-FRAUD EDUCATIONAL AND OUTREACH PRESENTATIONS IN THE PRIVATE SECTOR. WE SPEAK TO GROUPS THROUGHOUT THE DISTRICT ABOUT MFCU'S WORK. MOREOVER, WE WORK CLOSELY WITH OTHER LAW ENFORCEMENT AGENCIES, AND THE MFCU IS A MEMBER OF SEVERAL LOCAL LAW ENFORCEMENT TASK FORCE GROUPS. FURTHER, IN CONJUNCTION WITH THE UNITED STATES ATTORNEY'S OFFICE, MFCU CONDUCTS MULTIPLE PRESENTATIONS ON FRAUD AND ABUSE TO SENIOR CITIZENS IN COMMUNITY AND SENIOR CENTERS.

IN FY 2012, THE MFCU INITIATED 191 INVESTIGATIONS AND CLOSED 107 MATTERS. THE MFCU PERFORMANCE-BASED BUDGET GOAL WAS TO RESOLVE 20 CASES IN FY 2012. WHILE THE MFCU FELL SHORT OF THAT GOAL, THROUGH TRIAL OR SETTLEMENT, THE MFCU OBTAINED 13 RESOLUTIONS OF OUTSTANDING FRAUD, ABUSE, NEGLECT, AND SEXUAL ASSAULT CASES, INCLUDING ONE CASE WHICH RESULTED IN A JURY VERDICT CONVICTING A HEALTHCARE PROVIDER OF 35 SEPARATE FELONY OFFENSES. THE MFCU RECOUPED MORE THAN \$4.50 FOR EVERY DISTRICT DOLLAR FUNDING THE UNIT.

ABUSE OF VULNERABLE PERSONS AND UNUSUAL INCIDENTS

THE MFCU TAKES SIGNIFICANT STEPS TO HOLD OFFENDERS WHO ABUSE AND NEGLECT THE DISTRICT'S VULNERABLE CITIZENS ACCOUNTABLE BY AGGRESSIVELY INVESTIGATING AND PROSECUTING THOSE ALLEGATIONS.

THE MFCU'S INVESTIGATIONS OF ABUSE AND NEGLECT BEGIN WITH A REVIEW AND ASSESSMENT OF UNUSUAL INCIDENT REPORTS RECEIVED FROM HEALTHCARE PROVIDERS, TYPICALLY INSTITUTIONS SUCH AS NURSING HOMES AND GROUP HOMES, AS WELL AS FROM INDIVIDUALS, HEALTHCARE WORKERS, AND D.C. AND FEDERAL AGENCIES.

IN FY 2012, THE MFCU REVIEWED AND ASSESSED MORE THAN 3,200 REPORTS ADDRESSING UNUSUAL INCIDENTS AT NURSING AND GROUP HOMES. TO DATE IN FY 2013, THE MFCU HAS CONTINUED TO RECEIVE SUBSTANTIAL NUMBERS OF UNUSUAL INCIDENT REPORTS EACH MONTH.

THE MFCU IS CURRENTLY INVESTIGATING 64 ABUSE OR NEGLECT MATTERS AND 24 MATTERS OF FINANCIAL EXPLOITATION OF VULNERABLE ADULTS. DURING FY 2012, THE MFCU OBTAINED TWO CONVICTIONS IN CRIMINAL MATTERS OF ABUSE, NEGLECT, SEXUAL ASSAULT, AND THEFT INVOLVING VULNERABLE PERSONS, AND THUS FAR IN FY 2013, THE MFCU HAS OBTAINED ANOTHER TWO CONVICTIONS FOR SUCH CHARGES.

CONCLUSION

IN CONCLUSION, I LOOK FORWARD TO WORKING WITH YOU AND MEMBERS OF THIS COMMITTEE AND AM PROUD OF OUR FY 2012 AND FY 2013 ACCOMPLISHMENTS TO DATE, ALL OF WHICH CAN BE REVIEWED IN GREATER DETAIL BY VISITING THE OIG'S WEBSITE. THE OIG WILL CONTINUE TO FOCUS

OUR LIMITED RESOURCES ON MITIGATING THOSE RISKS WHICH POSE THE MOST SERIOUS CHALLENGES TO DISTRICT AGENCIES AND STAKEHOLDERS. THIS CONCLUDES MY TESTIMONY, AND I WILL BE HAPPY TO ANSWER ANY QUESTIONS YOU MAY HAVE.