

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

FISCAL YEAR 2010 PERFORMANCE OVERSIGHT HEARING

FEBRUARY 22, 2011

GOOD MORNING CHAIRPERSON CHEH 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; STACIE PITTELL, AIG FOR THE INVESTIGATIONS DIVISION; AND JACQUELINE SCHESNOL, DEPUTY 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 FY 2010 AND THE FIRST QUARTER OF FY 2011.

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 VARIOUS RISKS FACING THE CITY. IN LOOKING FOR WAYS TO MITIGATE THESE RISKS, WE FASHION AUDITS TO ASSESS THE RESULTS OF BUDGETED PROGRAMS, INCLUDING THE ECONOMY, EFFICIENCY, AND EFFECTIVENESS OF MANAGEMENT ACTIONS TAKEN TO ADDRESS THOSE RESULTS. IN FY 2010, THE AUDIT DIVISION CONTINUED ITS INCREASED FOCUS ON ISSUES SURROUNDING D.C. PUBLIC SCHOOLS (DCPS), MEDICAID, VULNERABLE POPULATIONS, PROCUREMENT AND CONTRACTING, AND WORKFORCE ADMINISTRATION.

AUDIT STATISTICS

IN ORDER TO MEASURE 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.

ADDITIONALLY, 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.

THE AUDIT DIVISION EXCEEDED EXPECTATIONS ON ITS PERFORMANCE MEASURES. FOR FY 2010 WE CONDUCTED AUDITS IN 31 PERCENT OF THE DISTRICT'S AGENCIES/OFFICES (OUR TARGET WAS 25 PERCENT). WE MET A TARGET OF ISSUING 28 FINAL AUDIT REPORTS. POTENTIAL MONETARY BENEFITS IDENTIFIED WERE \$25.8 MILLION, COMPARED TO A TARGET OF \$19 MILLION. COMPARING THESE BENEFITS TO AUDIT DIVISION COSTS OF APPROXIMATELY \$3.3 MILLION SHOWS A RETURN ON INVESTMENT FOR AUDITS PERFORMED BY OIG AUDIT STAFF OF ALMOST \$8 FOR EACH DOLLAR INVESTED.

TO IDENTIFY SPECIFIC POTENTIAL BENEFITS, 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 2010, THE AUDIT DIVISION MADE A TOTAL OF 160 RECOMMENDATIONS TO DISTRICT MANAGEMENT.

AUDIT HIGHLIGHTS BY THEME ARE AS FOLLOWS:

REVENUE ENHANCEMENT

**AUDIT OF THE RATE-SETTING PROCESS FOR INTERMEDIATE CARE FACILITIES FOR PEOPLE WITH DEVELOPMENTAL DISABILITIES (ICFS/DD),
OIG NO. 08-2-17HC, JUNE 29, 2010**

THE FORMER DIRECTOR OF THE MEDICAL ASSISTANCE ADMINISTRATION (NOW DEPARTMENT OF HEALTH CARE FINANCE (DHCF)), REQUESTED THE AUDIT DUE TO CONCERNS OVER FUNDS PAID TO PRIVATELY-OPERATED INTERMEDIATE CARE FACILITIES FOR PEOPLE WITH DEVELOPMENTAL DISABILITIES (ICFS/DD). THE OVERALL OBJECTIVES OF THE AUDIT WERE TO DETERMINE WHETHER COSTS REPORTED TO DHCF BY THE ICFS/DD WERE ACCURATE AND SUPPORTED AND WHETHER THE ICFS/DD PROGRAM WAS EFFECTIVELY MANAGED. BASED ON INITIAL OBSERVATIONS, WE MADE A DECISION TO FOCUS ON EXECUTIVE COMPENSATION.

NINE EXECUTIVES AT FIVE ICFS/DD PROVIDERS RECEIVED EXCESSIVE COMPENSATION TOTALING UP TO \$1.3 MILLION IN CALENDAR YEAR 2008. THIS LEVEL OF COMPENSATION OCCURRED BECAUSE DHCF REIMBURSEMENT OFFICIALS DID NOT COMPLY WITH DISTRICT AND FEDERAL REGULATIONS TO ESTABLISH ICF/DD RATES THAT WERE CONSISTENT WITH ECONOMY AND EFFICIENCY. SPECIFICALLY, DHCF OFFICIALS DID NOT ESTABLISH COST-CONTAINMENT CONTROLS SUCH AS COMPENSATION LIMITS OR COMPLY WITH THE REQUIREMENT TO REBASE MEDIANS (E.G., AVERAGE DAILY RATE) NO LATER THAN OCTOBER 1, 1999. FURTHER, DHCF OFFICIALS DID NOT ADEQUATELY IMPLEMENT EXISTING INTERNAL CONTROLS, SUCH AS DESK REVIEWS AND ONSITE AUDITS. WE ALSO ATTRIBUTED THIS CONDITION TO A LACK OF MANAGEMENT OVERSIGHT BECAUSE DHCF OFFICIALS COULD HAVE PROPOSED LEGISLATION TO REINSTATE THE REQUIREMENT TO REBASE MEDIANS AT ANY TIME DURING THE PAST 10 YEARS.

WE CONTACTED 31 STATES AND OF THE 27 WITH PRIVATELY-OPERATED AND MANAGED ICFS/DD, 17 (OR 63 PERCENT) EXERCISED SOME CONTROL OVER EXECUTIVE COMPENSATION. CONTROLS INCLUDED EXECUTIVE COMPENSATION LIMITS BASED ON AMOUNTS PAID FOR SIMILAR POSITIONS IN GOVERNMENT ICFS/DD, THE NUMBER OF BEDS MANAGED, AND AMOUNTS PAID TO STATE EXECUTIVES. AT A MINIMUM, EACH OF THE 17 STATES PERFORMED SOME TYPE OF REASONABLENESS STUDY TO IDENTIFY ACCEPTABLE EXECUTIVE COMPENSATION.

THE DHCF SET RATES THAT ALLOWED FIVE ICFS/DD PROVIDERS TO PAY TOP EXECUTIVES COMPENSATION OF \$1.6 MILLION, WHEN IT COULD HAVE LIMITED THE COST TO \$900,000 IF COMPENSATION LIMITS USED BY OTHER STATES HAD BEEN IN PLACE. OUR BENCHMARKING SHOWED THAT 17 STATES ESTABLISHED ANNUAL EXECUTIVE COMPENSATION LIMITS OF \$33,000 TO \$180,000. IN COMPARISON, EACH DISTRICT ICF/DD PROVIDER PAID ITS TOP EXECUTIVE COMPENSATION RANGING FROM \$39,999 TO \$436,891.

AS A RESULT OF OUR AUDIT, WE DIRECTED FOUR RECOMMENDATIONS TO DHCF TO CORRECT IDENTIFIED DEFICIENCIES. WE RECOMMENDED THAT OFFICIALS ESTABLISH COST-CONTAINMENT CONTROLS, IMPLEMENT EXISTING INTERNAL CONTROLS FOR PERFORMING AUDITS OF COST REPORTS, PROVIDE ADEQUATE MANAGEMENT OVERSIGHT OF THE RATE-SETTING PROCESS, AND DETERMINE WHETHER THE RATE-SETTING PROCESS RESULTED IN EXCESSIVE EXECUTIVE COMPENSATION TO THE ICFS/DD WE DID NOT INCLUDE IN OUR REVIEW. WE IDENTIFIED \$6 MILLION IN COST SAVINGS RESULTING FROM THE AUDIT.

AUDIT OF THE GRANT AGREEMENT BETWEEN THE OFFICE OF THE ATTORNEY GENERAL (OAG) AND DISTRICT OF COLUMBIA BAR FOUNDATION (DCBF), OIG NO. 09-2-06CB, OCTOBER 1, 2009

THE OAG REQUESTED WE AUDIT THE GRANT. THE AUDIT OBJECTIVES WERE TO ENSURE THAT: (A) DCBF COMPLIED WITH APPLICABLE LAWS, REGULATIONS, AND TERMS AND CONDITIONS SET FORTH IN THE GRANT AGREEMENT; (B) DCBF

INTERNAL CONTROLS OVER GRANT FUNDS WERE ADEQUATE TO SAFEGUARD FUNDS FROM FRAUD, WASTE, AND ABUSE; AND (C) THE OAG ADEQUATELY MONITORED DCBF ACTIVITIES RELATIVE TO THESE PROGRAMS. THE GRANT'S PURPOSE WAS TO ADMINISTER THE CIVIL LEGAL SERVICES GRANT PROGRAM AND THE POVERTY LAWYER LOAN ASSISTANCE REPAYMENT PROGRAM.

THE AUDIT INCLUDED A REVIEW OF FINANCIAL DOCUMENTS RELATED TO PAYROLL, ADMINISTRATIVE FUNCTIONS, AND OTHER COSTS CHARGED TO THE GRANT TO ENSURE THEIR REASONABLENESS UNDER THE CIVIL LEGAL SERVICES GRANT PROGRAM AND THE POVERTY LAWYER LOAN ASSISTANCE REPAYMENT PROGRAM FOR THE PERIOD OF JANUARY 2007 THROUGH DECEMBER 2008.

WE IDENTIFIED FOUR AREAS IN WHICH SUBGRANT REQUIREMENTS WERE NOT ALWAYS MET AND POLICIES AND PROCEDURES WERE NOT FOLLOWED. WE FOUND THAT AUDITORS OR OTHER DISTRICT OVERSIGHT BODIES DID NOT HAVE A MEANS TO VERIFY THAT THE CLIENTS SERVED THROUGH SUBGRANT AGREEMENTS MET RESIDENCY AND INCOME REQUIREMENTS OR THAT SUBGRANT AGREEMENT REQUIREMENTS FOR SERVING A MINIMUM NUMBER OF CLIENTS WERE MET. WE ALSO FOUND THAT DCBF'S CONFLICT OF INTEREST POLICY ALLOWED DCBF BOARD MEMBERS AND OFFICIALS WITH POTENTIAL CONFLICTS OF INTEREST TO REMAIN IN BOARD MEETINGS WHILE REVIEWS AND DISCUSSIONS ON SUBGRANTEE APPLICATIONS WERE DELIBERATED AND VOTED ON. LASTLY, DCBF DID NOT ENSURE THAT SUBGRANTEES ADHERED TO

THE REQUIREMENTS CONTAINED IN THEIR SUBGRANT AGREEMENTS, WHICH REQUIRE THE DEVELOPMENT OF A PLAN TO TRAIN NEW LAWYERS AND MAINTAIN ADEQUATE DOCUMENTATION OF TRAINING RECEIVED FOR EACH LAWYER UNDER THE CIVIL LEGAL SERVICES GRANT PROGRAM.

WE ISSUED 12 RECOMMENDATIONS TO THE OAG TO CORRECT THE NOTED DEFICIENCIES. FIRST, WE RECOMMENDED MODIFYING FUTURE CIVIL LEGAL SERVICES GRANT PROGRAM GRANT AGREEMENTS TO INCLUDE LANGUAGE REQUIRING CLIENTS TO SIGN A CONSENT FORM THAT: ALLOWS CLIENT INTAKE DOCUMENTS TO BE MADE AVAILABLE FOR AUDIT PURPOSES; REQUIRES CERTIFICATION BY THE SUBGRANTEE THAT CLIENTS MEET ESTABLISHED ELIGIBILITY REQUIREMENTS; AND REQUIRES CERTIFICATION BY THE SUBGRANTEE THAT THE MINIMUM NUMBER OF CLIENTS HAVE BEEN SERVED. WE ALSO RECOMMENDED MODIFYING FUTURE CIVIL LEGAL SERVICES GRANT PROGRAM GRANT AGREEMENTS TO DEFINE “ELIGIBLE CLIENTS” AND ESTABLISH CONSISTENT GUIDELINES FOR POVERTY LEVEL AND RESIDENCY ELIGIBILITY. FINALLY, WE RECOMMENDED THAT OAG REQUIRE DCBF TO ENSURE THAT SUBGRANTEES ADHERE TO SUBGRANT AGREEMENT MANDATES REGARDING TRAINING AND DOCUMENTATION OF TRAINING FILES FOR NEW LAWYERS. THE OAG AGREED WITH OUR RECOMMENDATIONS.

SPENDING AND EFFICIENT USE OF RESOURCES

AUDIT OF CONTRACTING ACTIONS AT THE OFFICE OF THE CHIEF

TECHNOLOGY OFFICER, OIG NO. 08-2-06TO(A), SEPTEMBER 15, 2010

THE CHIEF PROCUREMENT OFFICER (CPO) AND FORMER CHIEF TECHNOLOGY OFFICER (CTO) REQUESTED THE AUDIT, WHICH IS THE SECOND OF TWO AUDITS IN RESPONSE TO THEIR REQUEST. DURING FIELDWORK, THE OIG RECEIVED TWO COMPLAINTS OF IMPROPER CONTRACTING ACTIVITIES AT THE OFFICE OF CONTRACTING AND PROCUREMENT (OCP).

SPECIFICALLY, WE FOCUSED ON THE FOLLOWING ISSUES: 1) ROTATION OF OPPORTUNITIES AMONG CERTIFIED BUSINESS ENTERPRISES (CBEs); 2) INCREASED UTILIZATION OF CBEs; 3) AWARD OF THE VENDOR CONTRACT; 4) INSUFFICIENT CONTRACT MONITORING; AND 5) CONTRACT MAINTENANCE. OUR AUDIT SHOWED THAT OCP DID NOT EFFECTIVELY MANAGE THE DISTRICT OF COLUMBIA SUPPLY SCHEDULE (DCSS) PROGRAM WHEN CONTRACTING FOR INFORMATION TECHNOLOGY SERVICES. SPECIFICALLY, OCP DID NOT: ROTATE OPPORTUNITIES AMONG CBEs; INCREASE THE UTILIZATION OF CBEs; DETERMINE COST REASONABLENESS; MONITOR AND ENFORCE CONTRACTOR COMPLIANCE WITH CONTRACT TERMS AND CONDITIONS, INCLUDING ENFORCEMENT OF SANCTIONS AND PENALTIES FOR NONCOMPLIANCE; AND MAINTAIN REQUIRED CONTRACT DOCUMENTATION. THESE CONDITIONS OCCURRED BECAUSE OCP DID NOT: DEVELOP TARGETS AND STANDARDS FOR THE ROTATION AND UTILIZATION OF CBEs; IMPLEMENT AN AUTOMATED MANAGEMENT INFORMATION SYSTEM (MIS) TO COLLECT AND REPORT DCSS

ACTIVITY; SET-ASIDE OPPORTUNITIES FOR DISTRICT OF COLUMBIA SUPPLY SCHEDULE CONTRACTORS AND FOLLOW THE PRIORITIES ESTABLISHED BY TITLE 27 OF THE DISTRICT OF COLUMBIA MUNICIPAL REGULATIONS (DCMR) FOR THE USE OF SUPPLY SOURCES; ESTABLISH STANDARD OPERATING PROCEDURES; OBTAIN CERTIFIED COST OR PRICING DATA AND COMPLY WITH THE DCMR REQUIREMENT TO PERFORM A COST ANALYSIS; AND ADEQUATELY SUPERVISE AND PROVIDE MANAGEMENT OVERSIGHT FOR THE ADMINISTRATION OF THE DCSS PROGRAM.

IN ADDITION, OCTO DID NOT PROVIDE ADEQUATE GENERAL CONTRACT ADMINISTRATION FOR DCSS CONTRACTS. SPECIFICALLY, CONTRACTING OFFICER'S TECHNICAL REPRESENTATIVES (COTRs) DID NOT MONITOR WHETHER THE VENDOR COMPLIED WITH THE CONTRACT TERMS AND CONDITIONS REGARDING THE USE OF SUBCONTRACTORS AND ADVISE OCP CONTRACTING OFFICERS ACCORDINGLY.

AS A RESULT, 7 OF 69 CBE IT SERVICE PROVIDERS DISPROPORTIONATELY RECEIVED ABOUT 75 PERCENT OF \$94.1 MILLION IN CONTRACT PAYMENTS OVER A 3-YEAR PERIOD. ALSO, THE DISTRICT LOST SALES DISCOUNT REVENUE THAT MAY TOTAL AS MUCH AS \$501,677. FINALLY, THE DISTRICT LOST ABOUT \$2.1 MILLION TO ITS LOCAL ECONOMY FROM THE UNDEREMPLOYMENT OF DISTRICT RESIDENTS.

OUR COST ANALYSIS REVEALED THAT THE DISTRICT PAID UNREASONABLE CONTRACT PRICES FOR IT SERVICES, WHICH ALLOWED THE CONTRACTOR TO

MAKE \$602,411 IN EXCESSIVE PROFIT OVER A 2-YEAR PERIOD. ALSO, BASED ON OUR SAMPLE RESULTS, WE ESTIMATED THAT THE CONTRACTOR WAS PAID APPROXIMATELY \$2.5 MILLION OVER A 2-YEAR PERIOD FOR INVOICES THAT ARE UNSUPPORTED.

WE ISSUED 11 RECOMMENDATIONS TO THE CPO AND 3 RECOMMENDATIONS TO THE CTO. THE RECOMMENDATIONS PRIMARILY CENTERED ON: DEVELOPING AND IMPLEMENTING AN AUTOMATED MIS TO IMPROVE THE ADMINISTRATION AND MANAGEMENT OF CBE CONTRACTS; IMPROVING COMMUNICATION BY DEFINING THE RESPONSIBILITIES OF ALL PARTIES INVOLVED IN ENFORCING CONTRACTOR COMPLIANCE WITH CONTRACT TERMS AND CONDITIONS; ESTABLISHING PROCEDURES TO REINFORCE COMPLIANCE WITH DISTRICT LAWS AND PROCUREMENT REGULATIONS; AND IMPROVING THE ADMINISTRATION OF CONTRACTS. WE IDENTIFIED \$5.6 MILLION IN COST SAVINGS RESULTING FROM THE AUDIT.

SUPPORT SERVICES

AUDIT OF THE MANAGEMENT OPERATIONS OF THE OFFICE OF CABLE TELEVISION, OIG NO. 08-1-19CT, DECEMBER 17, 2009

THE EXECUTIVE OFFICE OF THE MAYOR REQUESTED THE AUDIT AFTER RECEIVING ALLEGATIONS OF MANAGEMENT IMPROPRIETIES AT THE OFFICE OF CABLE TELEVISION (OCT). THE AUDIT FOUND THAT OCT ENTERED INTO A CONTRACT RELATIVE TO HIGH DEFINITION TELEVISION (HDTV) INFRASTRUCTURE ON A SOLE SOURCE BASIS, WITHOUT ADEQUATE

JUSTIFICATION AND REASONABLE ASSURANCE THAT THE CONTRACTOR COULD PERFORM THE CONTRACT REQUIREMENTS. THIS CONTRACT ALSO VIOLATED OCT'S INTERNAL OPERATIONS POLICY ON EQUIPMENT AND FACILITIES USAGE AND WAS INCONSISTENT WITH RESPONSIBLE STEWARDSHIP OVER DISTRICT FUNDS.

ADDITIONALLY, OCT DID NOT EFFECTIVELY MONITOR THE PERFORMANCE OF THE CONTRACTOR USED FOR THE DESIGN AND INSTALLATION OF AN HDTV PRODUCTION STUDIO. FOR EXAMPLE, THE FORMER EXECUTIVE DIRECTOR OF OCT APPROVED PAYMENT OF THE CONTRACTOR'S INVOICES WITHOUT ADEQUATE SUPPORTING DOCUMENTATION, RESULTING IN EXPENDITURES OF A SIGNIFICANT PORTION OF CONTRACT FUNDS WITHOUT DELIVERABLES BEING PROVIDED. THE INEFFECTIVENESS OF CONTRACT MONITORING WAS DUE TO POOR INTERNAL CONTROLS RELATING TO SEPARATION OF DUTIES AND THE ABSENCE OF EFFECTIVE MANAGEMENT OVERSIGHT.

AS A RESULT OF THESE DEFICIENCIES, WE REPORTED THAT OCT WASTED OVER \$4 MILLION FOR DESIGN, EQUIPMENT, AND INSTALLATION OF AN HDTV PRODUCTION STUDIO THAT WAS NEVER BUILT OR INSTALLED, INCLUDING THE POTENTIAL OBSOLESCENCE OF OVER \$3 MILLION OF HDTV EQUIPMENT THAT WAS NEVER USED.

WE ISSUED FOUR RECOMMENDATIONS TO THE EXECUTIVE DIRECTOR OF OCT TO CORRECT THE DEFICIENCIES NOTED IN THIS REPORT. THE RECOMMENDATIONS, IN PART, CENTERED ON: (1) COMPLYING WITH DISTRICT

PROCUREMENT REGULATIONS; (2) COMPLYING WITH CONTRACT PROVISIONS RELATIVE TO THE DUTIES AND RESPONSIBILITIES OF THE COTR; (3) MANAGING AND MONITORING AGENCY ASSETS AND CONDUCTING ANNUAL INVENTORIES; AND (4) DEVELOPING A PLAN TO LIQUIDATE OR UTILIZE THE INVENTORY ITEMS THAT WERE PURCHASED FOR THE HDTV PRODUCTION STUDIO PROJECT. WE IDENTIFIED \$4 MILLION IN COST SAVINGS RESULTING FROM THE AUDIT.

DISTRICT OF COLUMBIA PUBLIC EDUCATION PROGRAMS

PAYROLL VERIFICATION AUDIT FOR THE DISTRICT OF COLUMBIA PUBLIC SCHOOLS (DCPS), OIG NO. 08-2-02GA, JULY 30, 2010

THE OIG PERFORMED THIS AUDIT AFTER CONCERNS WERE RAISED DURING THE FY 2006 CAFR. THESE CONCERNS, ALONG WITH OTHER ISSUES WITHIN THE DISTRICT GOVERNMENT, WERE ADDRESSED IN THE *INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL AND COMPLIANCE OVER FINANCIAL REPORTING FOR FY 2006* (OIG NO. 07-1-05MA, DATED JANUARY 31, 2007). OUR AUDIT OBJECTIVE WAS TO DETERMINE WHETHER PAYROLL CHECK RECIPIENTS WERE CURRENT, BONA FIDE EMPLOYEES OF THE DCPS OR AFFILIATED OFFICES WHOSE EMPLOYEES WERE PAID THROUGH DCPS' PAYROLL (E.G., THE OFFICE OF PUBLIC EDUCATION FACILITIES MODERNIZATION AND THE DCPS DIVISION OF TRANSPORTATION).

OUR REVIEW COVERED THE INDIVIDUALS WHO RECEIVED PAYMENTS ON NOVEMBER 23, 2007, FOR THE PAY PERIOD BEGINNING OCTOBER 28, 2007, AND

ENDING NOVEMBER 10, 2007. WE CONDUCTED A PHYSICAL VERIFICATION AND REVIEWED PERSONNEL FILES TO DETERMINE IF PAYROLL RECIPIENTS WERE CURRENT, BONA FIDE EMPLOYEES. DURING THE AUDIT, WE BRIEFED DCPS MANAGEMENT TO UPDATE THEM ON THE AUDIT PROGRESS. WE ALSO BRIEFED THE FIRM THAT AUDITED THE DISTRICT'S FINANCIAL STATEMENTS FOR FYs 2005 THROUGH 2009. OUR AUDIT REPORT CONTAINS TWO FINDINGS THAT DETAIL THE CONDITIONS FOUND DURING OUR FIELDWORK.

DURING OUR PHYSICAL VERIFICATION, WE CONFIRMED THAT 8,357 OF THE 10,358 INDIVIDUALS WERE CURRENT, BONA FIDE DISTRICT EMPLOYEES. THERE WERE LEGITIMATE REASONS WHY WE COULD NOT PHYSICALLY VERIFY SOME INDIVIDUALS. FOR EXAMPLE, SOME INDIVIDUALS MAY HAVE BEEN ABSENT WHEN WE VISITED THEIR SCHOOLS OR ADMINISTRATIVE OFFICES AND SOME INDIVIDUALS MAY HAVE STOPPED WORKING FOR DCPS PRIOR TO OUR VISIT. ACCORDINGLY, WE JUDGMENTALLY SELECTED A SAMPLE OF 282 OF THE UNVERIFIED INDIVIDUALS AND REVIEWED THEIR PERSONNEL FILES TO DETERMINE IF THEY WERE BONA FIDE EMPLOYEES FOR THE PAY PERIOD ENDING NOVEMBER 10, 2007. BASED ON OUR REVIEW, WE CONCLUDED THAT 110 INDIVIDUALS WERE EITHER NOT BONA FIDE EMPLOYEES OR COULD NOT BE VERIFIED AS SUCH. THUS, DCPS POSSIBLY IMPROPERLY PAID THESE 110 INDIVIDUALS BY AS MUCH AS \$399,140.

OUR SECOND FINDING CONCERNED THE INTERNAL CONTROL DEFICIENCIES THAT WE OBSERVED DURING OUR PHYSICAL VERIFICATION AUDIT.

SPECIFICALLY, DCPS DID NOT DEVELOP ADEQUATE CONTROLS TO ENSURE THAT THE COMPREHENSIVE AUTOMATED PERSONNEL AND PAYROLL SYSTEM (CAPPS) CONTAINED ACCURATE INFORMATION AND TIMEKEEPERS COULD NOT FALSIFY THEIR OWN WORKING HOURS IN THE SYSTEM. AS A RESULT, FORMER AND CURRENT EMPLOYEES COULD HAVE RECEIVED INAPPROPRIATE PAYMENTS. FURTHER, WE WERE UNABLE TO VALIDATE INDIVIDUALS AS BONA FIDE EMPLOYEES BECAUSE THEIR PERSONNEL FILES COULD NOT BE LOCATED, OR THEIR FILES DID NOT CONTAIN PERSONNEL ACTION FORMS. ALTHOUGH DCPS REPLACED CAPPS WITH THE PEOPLESOFT HUMAN CAPITAL MANAGEMENT SYSTEM IN APRIL 2009, THE DEFICIENCIES THAT WE IDENTIFIED WILL CONTINUE TO EXIST UNTIL DCPS IMPLEMENTS ADEQUATE CONTROLS.

AS A RESULT OF OUR AUDIT, WE DIRECTED SIX RECOMMENDATIONS TO THE DCPS CHANCELLOR TO CORRECT IDENTIFIED DEFICIENCIES. ONE RECOMMENDATION WAS THAT THE CHANCELLOR DEVELOP PROCEDURES TO PREVENT INDIVIDUALS FROM INAPPROPRIATELY RECEIVING PAYMENTS AND RECOUP FUNDS THAT SHOULD NOT HAVE BEEN PAID. DCPS OFFICIALS PROVIDED A WRITTEN RESPONSE TO THE DRAFT REPORT AND CONCURRED WITH THE RECOMMENDATIONS.

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 AGENCIES RESPONSIBLE FOR THE DELIVERY OF SERVICES TO CITIZENS, 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 REQUESTED BY THE EXECUTIVE OFFICE OF THE MAYOR AND BY COUNCILMEMBERS.

INSPECTION PERFORMANCE MEASURE

I&E MET ITS FY 2010 PERFORMANCE GOAL TO PUBLISH 10 REPORTS BY PUBLISHING 4 MANAGEMENT ALERT REPORTS (MARS), 3 REPORTS OF INSPECTION (ROIs), 2 REPORTS OF SPECIAL EVALUATION, AND ONE MANAGEMENT IMPLICATION REPORT (MIR). I&E'S THREE ROIs PRESENTED FINDINGS AND RECOMMENDATIONS ON THE PUBLIC SERVICE COMMISSION, THE HOMELAND SECURITY AND EMERGENCY MANAGEMENT AGENCY, AND THE DEPARTMENT ON DISABILITY SERVICES. THE TWO SPECIAL EVALUATIONS ADDRESSED CONDITIONS IN OPERATIONAL AREAS OF THE ALCOHOLIC BEVERAGE REGULATION ADMINISTRATION AND THE DEPARTMENT OF REAL ESTATE SERVICES' PROTECTIVE SERVICES POLICE DEPARTMENT.

I&E ISSUES MARs AND MIRs TO AGENCY HEADS WHEN INSPECTORS BELIEVE MATTERS REQUIRE IMMEDIATE OR PRIORITY ATTENTION. THE FOLLOWING SUMMARIZES I&E MARs AND A MIR THAT DEALT WITH ISSUES OF SAFETY AND RISKS TO VULNERABLE POPULATIONS:

- A JANUARY 2010 MAR POINTED OUT TO THE METROPOLITAN POLICE DEPARTMENT (MPD) THAT BECAUSE OF INADEQUATE PROCEDURES, MPD OFFICERS ASSIGNED TO THE JUVENILE PROCESSING CENTER WERE UNABLE TO ENSURE THAT FIREARMS BROUGHT INTO THE FACILITY BY LAW ENFORCEMENT PERSONNEL WERE PROPERLY ACCOUNTED FOR AND SECURED. IN ADDITION, JUVENILE DETAINEES WERE BEING ESCORTED IN CLOSE PROXIMITY TO THE LOCK BOXES USED TO STORE FIREARMS, A PRACTICE THAT COULD POSE SAFETY RISKS. IN IT'S RESPONSE, MPD INFORMED THE OIG THAT STEPS WERE BEING TAKEN TO CORRECT THE DEFICIENCIES CITED;
- AN APRIL 2010 MAR REPORTED THAT ADULT PROTECTIVE SERVICES DIVISION (APS) EMPLOYEES IN THE DEPARTMENT OF HUMAN SERVICES WERE NOT PROPERLY SAFEGUARDING SENSITIVE AND LEGALLY-PROTECTED INFORMATION RELATED TO ALLEGATIONS OF PHYSICAL ABUSE, NEGLECT, AND FINANCIAL EXPLOITATION OF VULNERABLE ADULTS. THE DHS RESPONSE DETAILED CORRECTIVE ACTIONS TO MITIGATE THE CONDITIONS I&E CITED;

- PROBLEMS IN SECURING SENSITIVE INFORMATION AT DHS PROMPTED I&E TO REVIEW ITS PREVIOUS REPORTS CONTAINING SIMILAR FINDINGS IN OTHER AGENCIES. THIS REVIEW RESULTED IN THE DISTRICT-WIDE DISSEMINATION OF A SEPTEMBER 2010 MIR ENTITLED *INADEQUATE SAFEGUARDING OF SENSITIVE EMPLOYEE, CUSTOMER, AND CLIENT INFORMATION IN DISTRICT AGENCIES: A RECURRENT FAILURE*. THE MIR NOTED THAT THE OIG HAS ISSUED 17 REPORTS SINCE FEBRUARY 2000 THAT CITED SIGNIFICANT LAPSES IN NUMEROUS AGENCIES IN THE PROPER SECURING AND DISPOSAL OF SENSITIVE GOVERNMENT AND PERSONAL INFORMATION. IN RESPONDING TO I&E RECOMMENDATIONS, THE CITY ADMINISTRATOR DIRECTED THE OFFICE OF RISK MANAGEMENT TO DEVELOP A POLICY FOR ALL AGENCY DIRECTORS AND TO TAKE OTHER STEPS TO ENSURE THE SECURITY OF SENSITIVE INFORMATION; AND
- A JUNE 2010 MAR SENT TO MPD AND THE CHILD AND FAMILY SERVICES AGENCY (CFSA) REPORTED THAT DUE TO THE ABSENCE OF ADEQUATE PROCEDURES AND TRAINING, MPD PATROL OFFICERS MAY NOT CONSISTENTLY RECOGNIZE INDICATORS OF CHILD ABUSE AND NEGLECT AND REPORT THEM TO CFSA. MPD INFORMED THE OIG THAT IT WOULD DEVELOP AND PUBLISH A COMPREHENSIVE DIRECTIVE ON REPORTING REQUIREMENTS THAT WOULD ALSO BE INCORPORATED

INTO TRAINING FOR ALL MPD NEW RECRUITS AND VETERAN OFFICERS.

I&E FOLLOW-UP ACTIVITIES

I&E ALSO VERIFIES THE COMPLIANCE OF DISTRICT AGENCIES WITH ITS REPORT RECOMMENDATIONS THROUGH ITS COMPLIANCE FOLLOW-UP PROGRAM. IN FY 2010, I&E COORDINATED WITH DISTRICT AGENCIES ON THE NEARLY 350 COMPLIANCE FORMS AGENCIES HAVE SUBMITTED TO I&E TO REPORT CORRECTIVE ACTIONS TAKEN SINCE THEY WERE INSPECTED OR EVALUATED.

FY 2011 INSPECTION ACTIVITIES

I&E INSPECTIONS AND SPECIAL EVALUATIONS IN PROGRESS THUS FAR IN FY 2011 INCLUDE:

- A SPECIAL EVALUATION OF THE **METROPOLITAN POLICE DEPARTMENT'S** YOUTH INVESTIGATIONS DIVISION TO ASSESS MANAGEMENT OF CASES INVOLVING MISSING CHILDREN, YOUTHS, AND JUVENILES, AND MANAGEMENT OF THE OPERATIONS AT THE PROCESSING CENTER FOR JUVENILE OFFENDERS;
- A SPECIAL EVALUATION OF AN INVESTIGATION CONDUCTED BY THE **ADDICTION PREVENTION AND RECOVERY ADMINISTRATION'S**

**DETOXIFICATION AND STABILIZATION CENTER (DSC) OF A DSC
CLIENT'S DEATH IN DECEMBER 2008 AND THE SERVICES DSC
PROVIDED TO THE CLIENT;**

- **AN INSPECTION OF THE DEPARTMENT OF HUMAN SERVICES/ADULT PROTECTIVE SERVICES (APS) THAT WILL EVALUATE THE SUFFICIENCY, QUALITY, AND TIMELINESS OF INTAKE AND INVESTIGATIONS OF ABUSE AND NEGLECT REPORTS RECEIVED BY APS;**
- **AN INSPECTION OF THE CHILD AND FAMILY SERVICES AGENCY/CHILD PROTECTIVE SERVICES ADMINISTRATION (CPS) THAT WILL EVALUATE THE DEGREE TO WHICH CPS MEETS ITS PROGRAM OBJECTIVES AND STATUTORY OBLIGATIONS;**
- **AN INSPECTION OF THE OFFICE OF UNIFIED COMMUNICATIONS (OUC) THAT WILL EVALUATE THE QUALITY AND EFFICIENCY OF OUC'S HANDLING AND DISPOSITION OF EMERGENCY AND NON-EMERGENCY CALLS, AND ASSESS THE SUFFICIENCY OF OUC RESOURCES AND MANAGEMENT OVERSIGHT TO ENSURE QUALITY SERVICES;**

- PART 2 OF AN INSPECTION OF THE **DEPARTMENT ON DISABILITY SERVICES/DEVELOPMENTAL DISABILITIES ADMINISTRATION (DDA)** THAT WILL ASSESS THE QUALITY AND EFFICIENCY OF DDA'S MONITORING OF CLIENTS PLACED IN OUT-OF-STATE RESIDENTIAL FACILITIES, AND WHETHER DDA ADEQUATELY ASSESSES CLIENTS' NEEDS BEFORE MOVING THEM FROM OUT-OT-STATE PLACEMENTS BACK TO THE DISTRICT;
- A SPECIAL EVALUATION OF THE **DEPARTMENT OF HEALTH'S YOUTH AND HIV/AIDS PREVENTION INITIATIVE** THAT WILL ASSESS THE HIV GRANTS MANAGEMENT PROCESSES AND THE DEGREE TO WHICH THE INITIATIVES, OBJECTIVES AND GOALS HAVE BEEN ACHIEVED;
- PART 2 OF A SPECIAL EVALUATION OF THE **DEPARTMENT OF EMPLOYMENT SERVICES (DOES)** TO DETERMINE IF DOES CONDUCTS THE NECESSARY CHECKS AND VERIFICATIONS TO ENSURE THAT UNEMPLOYMENT BENEFITS ARE ISSUED APPROPRIATELY AND LEGITIMATELY TO QUALIFIED APPLICANTS, AND IF RECIPIENTS CONTINUE TO BE ELIGIBLE FOR BENEFITS; AND FINALLY

- A SPECIAL EVALUATION OF THE DISTRICT'S HOMELESS SHELTERS TO ASSESS OVERSIGHT OF THE **DEPARTMENT OF HUMAN SERVICES' OFFICE OF SHELTER MONITORING** AND EVALUATE THE CONDITIONS AT SELECTED HOMELESS SHELTERS.

INVESTIGATIONS DIVISION

IN FY 2010, OUR INVESTIGATIONS DIVISION MAINTAINED AN EMPHASIS ON CRIMINAL INVESTIGATIONS THAT RESULTED IN PROSECUTIONS, AN OUTCOME THAT WE BELIEVE SERVES AS A SIGNIFICANT DETERRENCE TO OFFICIAL MISCONDUCT. WE OPENED 74 CRIMINAL INVESTIGATIONS IN FY 2010. WE PRESENTED 48 CRIMINAL CASES TO THE UNITED STATES ATTORNEY'S OFFICE, 26 OF WHICH WERE ACCEPTED FOR PROSECUTION. IN FY 2010, OUR CRIMINAL INVESTIGATIONS RESULTED IN 33 ARRESTS, 6 INDICTMENTS, AND 22 CONVICTIONS. THIRTY-TWO PEOPLE WERE SENTENCED IN FY 2010 TO SENTENCES INCLUDING IMPRISONMENT, HOME DETENTION, PROBATION, COMMUNITY SERVICES, RESTITUTION, AND FINES.

OUR SPECIAL AGENTS WERE INVOLVED IN JOINT CRIMINAL INVESTIGATIONS WITH AGENCIES INCLUDING THE UNITED STATES ATTORNEY'S OFFICE, THE FEDERAL BUREAU OF INVESTIGATION, THE U.S. SECRET SERVICE, THE U.S. POSTAL INSPECTION SERVICE, AND THE U.S. POSTAL SERVICE OFFICE OF THE INSPECTOR GENERAL.

EXAMPLES OF THE CRIMINAL INVESTIGATIONS CONDUCTED BY THE INVESTIGATIONS DIVISION DURING FY 2010 AND THE FIRST QUARTER OF FY 2011 INCLUDE:

1. THE CONVICTION AND SENTENCING OF A FORMER DEPARTMENT OF HUMAN SERVICES EMPLOYEE WHO SUBMITTED TO HER SUPERVISOR FRAUDULENT LETTERS PURPORTING TO BE FROM THE SUPERIOR COURT OF THE DISTRICT OF COLUMBIA AND THE UNITED STATES ATTORNEY'S OFFICE CLAIMING THAT SHE BOTH HAD SERVED AND WAS BEING CALLED AS A WITNESS IN A COURT CASE. THE FORMER EMPLOYEE PLED GUILTY TO ATTEMPTED UTTERING AND WAS SENTENCED TO 180 DAYS IN PRISON (SUSPENDED), 12 MONTHS OF PROBATION, 40 HOURS OF COMMUNITY SERVICE, AND PAYMENT OF RESTITUTION.
2. THE CONVICTION AND SENTENCING OF FOUR INDIVIDUALS IN A SCHEME TO STEAL AND NEGOTIATE DISTRICT AND U.S. TREASURY CHECKS. THE INDIVIDUALS PLED GUILTY TO VARIOUS CRIMES INCLUDING CONSPIRACY TO COMMIT MAIL FRAUD. TWO INDIVIDUALS WERE SENTENCED TO TERMS OF IMPRISONMENT AND TWO WERE SENTENCED TO PROBATION. ALL FOUR INDIVIDUALS WERE ORDERED TO PAY RESTITUTION.

3. THE CONVICTION AND SENTENCING OF A DEPARTMENT OF YOUTH REHABILITATIONS SERVICES EMPLOYEE WHO FRAUDULENTLY RECEIVED \$7,956.00 IN UNEMPLOYMENT INSURANCE BENEFITS FROM THE DEPARTMENT OF EMPLOYMENT SERVICES WHILE WORKING FULL-TIME FOR THE DISTRICT. THE EMPLOYEE PLED GUILTY TO FIRST DEGREE FRAUD AND WAS SENTENCED TO 90 DAYS IN PRISON (SUSPENDED), 27 MONTHS OF SUPERVISED PROBATION, AND PAYMENT OF RESTITUTION.

4. THE CONVICTION AND SENTENCING OF A FORMER COURT SERVICES AND OFFENDER SUPERVISION AGENCY EMPLOYEE WHO SUBMITTED FRAUDULENT INCOME AND RESIDENCY DOCUMENTS TO OBTAIN \$10,962 IN THE OFFICE OF THE STATE SUPERINTENDENT OF EDUCATION CHILD CARE SUBSIDIES TO WHICH SHE WAS NOT ENTITLED. THE FORMER EMPLOYEE WAS CONVICTED OF FIRST DEGREE FRAUD AND SENTENCED TO 5 YEARS OF SUPERVISED PROBATION, 100 HOURS OF COMMUNITY SERVICE, AND PAYMENT OF RESTITUTION.

THE RESTITUTION AMOUNTS ORDERED FOR THE FOREGOING TOTALED APPROXIMATELY \$159,500.00.

IN ADDITION TO CRIMINAL INVESTIGATIONS, THE OIG CONDUCTS ADMINISTRATIVE INVESTIGATIONS OF DISTRICT EMPLOYEES WHO VIOLATE

DISTRICT REGULATIONS, INCLUDING THE DISTRICT'S STANDARDS OF CONDUCT. IN FY 2010, WE ISSUED 8 REPORTS OF INVESTIGATION, WHICH CONTAINED A TOTAL OF 21 RECOMMENDATIONS FOR ADMINISTRATIVE ACTIONS AGAINST A DISTRICT EMPLOYEE AND/OR POLICY AND PROCEDURE RECOMMENDATIONS. EXAMPLES OF OUR SUBSTANTIATED ADMINISTRATIVE INVESTIGATIONS INCLUDE:

1. INVESTIGATION OF A FORMER DEPARTMENT OF YOUTH REHABILITATION SERVICES (DYRS) DIRECTOR WHO ALLOWED THREE YOUTH OFFENDERS OUTSIDE THE SECURE PERIMETER OF A DYRS FACILITY FOR A COOK-OUT WITHOUT FOLLOWING PROPER SECURITY PROCEDURES. THE OIG INVESTIGATION FURTHER REVEALED THAT AFTER ONE OF THE YOUTH OFFENDERS ESCAPED, THERE WAS A SUBSTANTIAL DELAY IN REPORTING THE ESCAPE TO MPD. AS A RESULT, IT WAS DETERMINED THAT THE FORMER DIRECTOR VIOLATED PROVISIONS OF THE DISTRICT PERSONNEL MANUAL AND DYRS WRITTEN POLICIES AND PROCEDURES.
2. INVESTIGATION OF A FORMER OFFICE OF UNIFIED COMMUNICATIONS (OUC) DIRECTOR WHO WAS INVOLVED IN A VEHICLE ACCIDENT WHILE ENGAGED IN OFF-DUTY, PERSONAL USE OF A DISTRICT GOVERNMENT VEHICLE. THE OUC DIRECTOR'S OFF-DUTY, PERSONAL USE OF THE DISTRICT VEHICLE VIOLATED THE D.C. CODE, THE DISTRICT PERSONNEL MANUAL, OUC VEHICLE POLICY, AND OTHER

DISTRICT REGULATIONS. THE OIG MADE RECOMMENDATIONS TO THE CITY ADMINISTRATOR WHO ISSUED A MEMORANDUM TO ALL AGENCY DIRECTORS DETAILING THE RULES REGARDING THE USE OF DISTRICT GOVERNMENT VEHICLES.

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 MONITORS THE 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 2010, OUR INVESTIGATORS PROCESSED 610 NEW COMPLAINTS, OPENED 129 FORMAL INVESTIGATIONS, AND REFERRED A TOTAL OF 308 MATTERS TO THE HEADS OF 46 DISTRICT AGENCIES, 22 FEDERAL AGENCIES, 2 STATE AGENCIES, 3 OTHER OIG DIVISIONS, AND 1 PRIVATE ENTITY.

IN THE FIRST QUARTER OF FY 2011, INVESTIGATORS PROCESSED 156 NEW COMPLAINTS, OPENED 34 NEW INVESTIGATIONS, AND REFERRED A TOTAL OF 89 MATTERS TO DISTRICT AND FEDERAL AGENCIES FOR APPROPRIATE ACTION. OF THE 34 NEW INVESTIGATIONS OPENED, 25 ARE CRIMINAL, 4 ARE ADMINISTRATIVE, AND 5 ARE PRELIMINARY.

THE INVESTIGATIONS DIVISION EXCEEDED GOALS IN ALL THREE

PERFORMANCE MEASURES FOR FY 2010, AS FOLLOWS:

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

GOAL: 82% **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:** 100 %

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:** 95 %

IN ADDITION, IN FY 2010, THE INVESTIGATIONS DIVISION CONTINUED ITS PROGRAM OF CONDUCTING CORRUPTION PREVENTION LECTURES TO INFORM DISTRICT GOVERNMENT EMPLOYEES WORKING IN VARIOUS AGENCIES OF THE CRIMINAL, ETHICAL, AND ADMINISTRATIVE RULES DISTRICT GOVERNMENT EMPLOYEES ARE REQUIRED TO FOLLOW. THIS OUTREACH EDUCATES DISTRICT GOVERNMENT EMPLOYEES ON THE MISSION OF THE OFFICE OF THE INSPECTOR GENERAL SO THAT THEY CAN FULFILL THEIR OBLIGATIONS TO REPORT CRIME, CORRUPTION, AND ETHICAL VIOLATIONS APPROPRIATELY. IN FY 2010, THE INVESTIGATIONS DIVISION CONDUCTED 37 CORRUPTION PREVENTION LECTURES THAT WERE ATTENDED BY MORE THAN 1500 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, NEGLECT, OR FINANCIAL EXPLOITATION OF PERSONS WHO RESIDE IN MEDICAID-FUNDED FACILITIES, SUCH AS NURSING HOMES AND GROUP HOMES. FY 2010 WAS A PRODUCTIVE YEAR FOR THE MFCU.

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. IN FY 2010, THE MFCU RESOLVED, THROUGH LITIGATION, NUMEROUS MATTERS INVOLVING ABUSE AND NEGLECT, AND WAS ACTIVE IN PROGRAMS TO EDUCATE THE COMMUNITY, INCLUDING SENIOR CITIZEN GROUPS ABOUT ABUSE AND NEGLECT.

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 2010, THE MFCU REVIEWED AND ASSESSED MORE THAN 3,900 REPORTS ADDRESSING UNUSUAL INCIDENTS AT NURSING AND GROUP HOMES. SINCE THE BEGINNING OF FY 2011, THE MFCU HAS RECEIVED APPROXIMATELY 250 UNUSUAL INCIDENT REPORTS EACH MONTH.

THE MFCU IS CURRENTLY INVESTIGATING 77 ABUSE OR NEGLECT MATTERS AND 10 MATTERS OF FINANCIAL EXPLOITATION OF VULNERABLE ADULTS. IN FY 2010, THE MFCU OBTAINED 8 CONVICTIONS IN CRIMINAL MATTERS OF ABUSE (4), NEGLECT (2), SEXUAL ASSAULT (1) AND THEFT (1) INVOLVING VULNERABLE PERSONS. THOSE CONVICTED INCLUDED A CERTIFIED NURSING ASSISTANT WHO STRUCK A PERSON IN HER CARE, A WORKER IN A GROUP HOME WHO STOLE CHECKS FROM THE COGNITIVELY DISABLED RESIDENTS IN HER CARE, AND A MAN WHO SEXUALLY ABUSED HIS MOTHER, A RESIDENT OF A LONG-TERM CARE FACILITY.

ANTI-FRAUD EFFORTS

OTHER MFCU ENFORCEMENT EFFORTS CONSIST OF INVESTIGATIONS AND PROSECUTIONS OF FINANCIAL FRAUD AGAINST THE MEDICAID PROGRAM. IN FY 2010 THE MFCU RESOLVED 13 CASES OF FRAUD THROUGH CRIMINAL CONVICTIONS AND CIVIL SETTLEMENTS, RECOUPING MORE THAN \$3.6 MILLION FOR THE MEDICAID PROGRAM. CONVICTIONS INCLUDED A MEDICAL DOCTOR WHO BILLED FOR SERVICES HE DID NOT PROVIDE, A DURABLE MEDICAL EQUIPMENT COMPANY THAT BILLED FOR MORE EXPENSIVE WHEELCHAIRS

THAN WERE PROVIDED, AND A DENTAL CLINIC THAT BILLED FOR UNNECESSARY PROCEDURES PERFORMED ON CHILDREN.

THE MFCU IS CURRENTLY WORKING ON 99 MATTERS INVOLVING ALLEGATIONS OF PROVIDER FRAUD, 53 OF WHICH WERE INITIATED IN FY 2010. 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, PHARMACISTS, MEDICAL EQUIPMENT SUPPLIERS, AND HOME HEALTHCARE AND TRANSPORTATION PROVIDERS.

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 WORK.

MOREOVER, WE WORK CLOSELY WITH OTHER LAW ENFORCEMENT AGENCIES, AND THE MFCU IS A MEMBER OF SEVERAL LOCAL LAW ENFORCEMENT TASK FORCE GROUPS. ONE OF THE MFCU'S PERFORMANCE MEASURES IS TO PROVIDE TRAINING EACH FISCAL YEAR. IN FY 2010, THE MFCU PROVIDED EIGHT TRAININGS, INCLUDING PRESENTATIONS AT CONFERENCES RELATED TO ELDER ABUSE AND HEALTHCARE FRAUD.

IN FY 2010, THE MFCU INITIATED 176 INVESTIGATIONS AND CLOSED 198 MATTERS. THROUGH TRIAL OR SETTLEMENT, THE MFCU OBTAINED 26 RESOLUTIONS OF OUTSTANDING FRAUD, ABUSE, NEGLECT, AND SEXUAL ASSAULT CASES, SIGNIFICANTLY EXCEEDING EXPECTATIONS OF ITS

PERFORMANCE GOAL OF 16, AND RECOUPED MORE THAN \$5 FOR EVERY DISTRICT DOLLAR FUNDING THE UNIT.

IN ADDITION, THE MFCU CONTINUED TO DEMONSTRATE A HIGH LEVEL OF ACTIVISM THROUGH ITS PARTICIPATION IN TASK FORCES, EDUCATIONAL PRESENTATIONS, AND OTHER WRITING AND TRAINING OPPORTUNITIES.

CONCLUSION

IN CONCLUSION, I LOOK FORWARD TO WORKING WITH THE CHAIRPERSON AND MEMBERS OF THIS COMMITTEE AND AM PROUD OF OUR FY 2010 AND FY 2011 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.