

**TESTIMONY OF DANIEL W. LUCAS, INSPECTOR GENERAL
BEFORE THE
COUNCIL OF THE DISTRICT OF COLUMBIA
COMMITTEE ON EXECUTIVE ADMINISTRATION AND LABOR**

**BUDGET OVERSIGHT HEARING ON THE
OFFICE OF THE INSPECTOR GENERAL'S
FISCAL YEAR 2025 BUDGET
April 8, 2024**

Good afternoon, Chairperson Bonds and Members of the Committee. I am Daniel W. Lucas, Inspector General for the District of Columbia. I am pleased to appear before the Committee to review the Office of the Inspector General (OIG) budget submission for fiscal year (FY) 25. Joining me to assist in the presentation are Ms. Jaime Yarussi, Deputy Inspector General for Business Management, and Dr. James Hurley, Agency Fiscal Officer.

Today, I would like to discuss three specific areas: (1) the OIG's unique budget process; (2) our FY 24 budget and expenditures to date; (3) our FY 25 proposed budget and recommendation for the FY 25 Budget Support Act.

BUDGET PROCESS

The OIG has a unique budget process compared to other District agencies. Specifically, the OIG's enabling legislation states that the OIG "shall prepare and submit to the Mayor . . . annual estimates of the expenditures and appropriations necessary for the operation of the [OIG] for the year." These estimates are then "forwarded by the Mayor to the Council . . ., without revision

but subject to recommendations, including recommendations on reallocating any funds from the Inspector General’s estimates to other items in the District Budget.”¹

The OIG’s budget also benefits from a special purpose revenue fund (OIG Support Fund).² The OIG Support Fund is funded by 25 percent of criminal restitution and recoupments generated from an OIG criminal investigation³ and 25 percent of revenue from recaptured overpayments identified through an OIG audit, inspection, or evaluation.⁴ Before the OIG Support Fund receives any deposits, \$284,000 must first go to the District’s General Fund.⁵ Any local funds above \$1 million remaining in the OIG’s operating budget may be deposited into the OIG’s Support Fund at the end of the fiscal year.⁶ However, not more than \$3 million may be deposited in any fiscal year,⁷ and the fund balance cannot exceed \$5 million.⁸ The OIG Support Fund budget is an estimate of anticipated revenues to be deposited into the fund in the forthcoming fiscal year. The OIG Support Fund budget provides me with the authority to spend up to the approved budgeted amount, but the total expenditures are subject to change based on the actual revenues deposited and cannot exceed the allowable total amount in the fund.

OIG’s FY 24 BUDGET

OIG FY 24 Approved Budget. With the support of the Executive and the Council, the OIG’s FY 24 approved gross budget is \$27.6 million, with 120 full-time equivalent (FTE) positions and ten term FTE positions. The term positions and \$1.2 million in non-personal services (NPS)

¹ D.C. Code § 1-301.115a (a)(2)(A).

² D.C. Code § 1-301.115c.

³ *Id.* § (b)(1).

⁴ *Id.* § (b)(2).

⁵ *Id.* §§ (b)(1)-(2).

⁶ *Id.* § (b)(3).

⁷ *Id.* § (c)(1)(A).

⁸ *Id.* § (c)(1)(B).

resources support oversight of the District's \$3.3 billion American Rescue Plan Act (ARPA) appropriations. The OIG's approved FY 24 budget includes \$2.6 million in budget authority in the OIG's Support Fund.

Following the approval of our FY 24 budget, the OIG worked with the Executive and agreed to return \$950,000 in ARPA funding and \$750,000 in local personal service (PS) vacancy savings to assist with District-wide budget pressures. These resources are returned to the District's General Fund for the District's use during this fiscal year.

OIG FY 24 Expenditures. In the first five months of this fiscal year, the OIG expended about 32 percent of its approved gross budget. Much of our current fiscal year underspend is due to vacancy savings. The OIG's Human Capital Team, in coordination with OIG leadership, continues to prioritize recruitment. I encourage those watching at home to look for OIG job opportunities at <http://careers.dc.gov>.

The OIG encountered unbudgeted spending pressures this fiscal year, which necessitated redirecting resources to address these unfunded requirements, including:

- **Additional work related to the District's Annual Comprehensive Financial Report (ACFR) Audit.** First, in FY 22, Events DC could not provide sufficient appropriate audit evidence to support a financial audit. During this fiscal year, the OIG allocated additional resources to ensure Events DC received an independent financial audit of both its FY 22 and 23 financial reports. Second, with the transition to the new District Integrated Financial System (DIFS), the OIG allocated additional funding so its

independent auditors had the requisite resources to audit the new system while delivering an on-time ACFR audit.

- **Hiring independent counsel required by D.C. Act 25-0202, the Sexual Harassment Investigation Review Emergency Act of 2023.** While the Act’s fiscal impact statement estimated the cost for the OIG to retain independent counsel to be \$450,000, the OIG has encumbered \$749,000, funded by the OIG’s Support Fund.
- **Addressing additional costs related to the OIG’s new facility.** While the OIG returned to in-person operations at its new location in FY 23, the OIG continues to address unforeseen residual construction and information technology requirements.
- **Establishing the OIG’s body-worn camera (BWC) program.** The Inspector General Enhancement Amendment Act of 2022 required the OIG to establish a body-worn camera program, subject to the availability of funding.⁹ While this statutory requirement remains unfunded, we believe this is a vital tool to promote transparency and OIG criminal investigator safety. As such, the OIG has elected to continue implementing this unfunded mandate, including repurposing current fiscal year funding.

⁹ D.C. Law 24-289 Sec. 2 (c).

OIG's FY 25 PROPOSED BUDGET

The OIG's proposed FY 25 gross budget, totaling \$25 million, reflects a net decrease of \$2.9 million from the prior fiscal year approved budget. The OIG worked with the Executive and agreed to a 2% (\$295,000) reduction in PS funding (vacancy savings) to support District-wide budgetary pressures; for the OIG, this amounts to the equivalent of three full-time positions. Additionally, with the expiration of the American Rescue Plan Act (ARPA) funding, the OIG will be sunsetting its Pandemic Oversight Program (POP), which will eliminate eight term FTEs and additional NPS resources. However, two POP (2) term FTEs will remain until December 31, 2024.

The OIG has estimated the amounts to be deposited in the OIG's Support Fund in FY 25 at \$2.6 million, which may be used to address future spending pressures. As a reminder, the OIG's Support Fund's proposed budget is a projection of revenues to be generated during the fiscal year and would provide me with the authority to expend these resources as they are received.

Depending on the results of the OIG's oversight work, the actual amounts deposited into the fund and available for use in the upcoming fiscal year will fluctuate.

Notwithstanding the proposed reduction, we also anticipate specific budget pressures next year, including:

- **Awarding of a new ACFR audit contract.** The fiscal year 24 ACFR audit will be the fifth and final year of the OIG's contract with its current independent auditor, McConnell & Jones, LLP. Later this year, the OIG will begin the solicitation process for a new ACFR auditor. Although we do not have an independent government estimate for the new ACFR audit contract at this time, I expect the cost to increase

over previous years, given the increasing complexity of the District’s financial systems and operations. Additionally, to provide the current and successor auditors with sufficient time to facilitate a smooth transition, the OIG will have to retain both firms for a finite period of time.

- **Retaining independent counsel.** As the Council deliberates B25-0351, the “Sexual Harassment Investigation Integrity Amendment Act of 2023,” and to meet current requirements found in Mayor’s Order 2023-131, the OIG anticipates that it will need to retain independent counsel to effectuate these mandates. As such, absent incremental funding, the OIG will have to redirect resources from other oversight activities to support these requirements.

It is important to note that any further reductions to the OIG’s budget, coupled with increased spending pressures, would directly impact the OIG’s capacity to provide oversight of the District.

Budget Support Act Recommendations. I want to conclude my testimony by highlighting the OIG’s recommendation for the forthcoming “Fiscal Year 2025 Budget Support Act of 2024.” (FY 25 BSA).

Specifically, we have requested an amendment in the fiscal year 25 BSA to add OIG criminal investigators under the definition of “law enforcement officers” within the D.C. Code. While this amendment may seem insignificant, this update addresses a long-standing impediment to independently executing our statutory criminal investigative mission. The amendment would remedy incongruent legal authorities provided to OIG criminal investigators in our enabling

legislation and legal authorities provided to other criminal investigative agencies found in Title 23 of the D.C. Code. The benefit to the District is that we would reduce our reliance on our law enforcement partners – many of whom face similar resource constraints – to execute certain law enforcement activities on our behalf and be able to improve the efficacy of our criminal investigations.

CONCLUSION

In conclusion, Chairperson Bonds and members of the Committee, the OIG has a critical oversight role for the District. In an environment of declining resources, the OIG has and will continue to help the District maximize its revenues and ensure its expenditures are economical, efficient, and effective.

This concludes my testimony, and I welcome the opportunity to answer your questions.