

Government of the District of Columbia



Office of the Chief Technology Officer

Testimony of
Vivek Kundra
Chief Technology Officer

Public Roundtable
on
Theft and Fraud Prevention in District Government Agencies

Councilmember Carol Schwartz, Chair
Committee on Workforce Development and Government
Operations

Thursday, December 13, 2007

John A. Wilson Building
Room 412
1350 Pennsylvania Avenue, NW
Washington, DC 20004

**STATEMENT OF VIVEK KUNDRA, CHIEF TECHNOLOGY OFFICER,
BEFORE THE COMMITTEE ON WORKFORCE DEVELOPMENT
AND GOVERNMENT OPERATIONS,
DISTRICT OF COLUMBIA COUNCIL
Thursday, December 13, 2007**

Introduction

Good afternoon, Madam Chair. I am Vivek Kundra, Chief Technology Officer (CTO) for the District of Columbia. I appreciate the opportunity to testify today on measures to prevent waste, fraud and abuse. I'll focus on the controls we have implemented in the Office of the Chief Technology Officer (OCTO). However, I want to note that OCTO is leveraging technology to increase transparency and accountability throughout the District government. Examples are our CapStat technology support (capstat.oca.dc.gov) and our transparency website (data.octo.dc.gov), which allows the public to view, slice, and dice a myriad of government data. As you know, I took the CTO post on May 7, 2007. Starting before my first day, I conducted an in-depth examination of OCTO operations, including controls against waste, fraud, and abuse. I found opportunities to strengthen those measures. I'll describe our new controls in five key areas--program management, procurement, finance, human resources (HR), and physical security. A summary list is Attachment A. These controls are all part of a culture of accountability and innovation that, as I mentioned in my confirmation testimony, we are actively creating throughout OCTO. Innovation not only solves problems, it's one of the best deterrents to corruption. Accountability and innovation keep processes, and personnel, from becoming so entrenched that an individual can beat the system by knowing every process, and every person, down to the tiniest detail and then exploiting them.

1. Program Management Controls

In an agency like OCTO that has significant project responsibilities, a strong Program Management Office (PMO) is vital to preventing wasteful project expenditures. I've significantly expanded the functions and staff in OCTO's PMO. Specifically:

- We established and have rigorously enforced a new budget formulation process that requires every OCTO program and project to be supported by a clear business case and detailed spending plans, to undergo thorough vetting by the PMO, and to obtain final approval in a decision made jointly by the PMO and me.
- We have implemented a new “stock market model” that requires every OCTO program and project to maintain on-time and on-budget performance to maintain funding. One of the first cases where we applied this model was the “right-sizing” of DC-Net to make the program solvent.
- To support the stock market model, we're launching a Citywide Portfolio and Project Management tool to track and report IT project status, helping to keep projects on-time and on-budget, and helping us see and solve spending and schedule problems promptly.
- We've centralized in the PMO all OCTO Program Financial Managers (PFMs). PFMs track project spending and facilitate the procurements and invoice processing. Previously PFMs reported to program directors, who could then pressure them to take shortcuts around process controls in the interest of speed. Now all PFMs report to the PMO. We've also required all PFMs to be FTEs. This rule prevents potential conflicts of interest that arise where contractor PFMs work for companies that also compete for District contracts.
- Finally, central to our culture of innovation is regular “TechStat” sessions. In these sessions, modeled on the citywide CapStat sessions, we use an interdisciplinary team to

delve into particular programs and major problems. By bringing together representatives from the program, procurement, finance, HR, and upper management, we're finding solutions to problems and ways to operate more efficiently and effectively. TechStat also helps deter fraud by probing every program on a regular basis, and often changing processes. So someone who wants exploit weaknesses in a process will know up front that the process can change at any time, foiling the scheme and maybe exposing it.

2. Procurement Controls

We've implemented several measures to support OCP's procurement controls on the program side.

- First, we have adopted a new system in which each proposed contract undergoes a deliberative real-time review by an interdisciplinary team including representatives of the PMO, procurement, and finance groups and upper management. These reviews are designed to ensure that each procurement is consistent with an approved project plan and an approved project budget, has an appropriate funding source, and has an appropriate procurement method. We've also added data to the PASS requisition form to facilitate these penetrating reviews. Attachments B and C show a contract review session and the new requisition. **[SHOW PICTURES OF PASS REVIEW SESSION AND NEW REQ]**
- Second, we have worked hard to reduce our dependence on contract staff agency-wide. As you know, we eliminated and converted a total of 59 DC-Net contract staff in June 2007 to make the program solvent. This summer, we converted an additional 30 contract staff to FTEs as part of our Job Fair hiring initiative. Overall, we've reduced the number of contract staff at OCTO from 461 as of April 6, 2007 to 307 today, a decrease of 33%.

- Third, as part of our “Keep It Clean” initiative (Attachment D), we have imposed a contract staff billing cap, effective November 28, 2007. Contract staff billing may not exceed 40 hours per week unless an FTE manager **pre**-approves additional time in writing. The overtime approval sheet must accompany all timesheets for hours exceeding 40 per week. Managers must reject invoices with noncompliant timesheets.
- Fourth, as another part of our “Keep It Clean” initiative, we now require a Contracting Officer’s Technical Representative (COTR) for every OCTO contract. Each top-line program director must assign a COTR for every contract in his/her area. The COTR must monitor contract performance to ensure it meets contract requirements and must promptly escalate problems to higher management and the Contracting Officer.
- Fifth, to reduce waste, we have implemented a new requirement that contract staff supply their own cell phones. This rule will reduce our cell phone costs and the time and resources needed to inventory cell phones and monitor cell phone usage.

3. Finance Controls

The most important step we’ve taken to improve our controls in the finance area is to establish a new partnership with the Office of Finance and Resource Management (OFRM) to add a new and independent layer of review for OCTO budgets and spending. A major recent partnership effort was a joint OCTO-OFRM cell phone equipment and expenditure audit. Analysis of the audit results led us to re-negotiate all District cell phone contracts into enterprise agreements.

In addition, to improve our finance-related controls, we have:

- Established a review process to align our funding sources (operational vs. capital) with program needs and end improper use of capital funds for operational purposes; and

- Strictly enforced the rule that every credit card purchase be approved by the Finance Officer and the agency director. I personally approve every OCTO credit card purchase.

4. HR Controls

When it comes to HR, I believe strongly that there's no substitute for strong management to produce success and to prevent waste, fraud, and abuse. I have used hiring and a few terminations to populate OCTO's top layers with individuals who have the ability to be very strong managers. And I demand that managers manage both their programs and their employees. Their program funding and their personal salaries and promotions depend on it.

But strong management is not enough. So we have also:

- Strictly enforced the requirement for IT staff background checks in all our hiring. In two cases, the check revealed history that posed a risk, and we withdrew the offers.
- Implemented an active ethics compliance program including:
 - Annual comprehensive ethics training for all staff, with each person's attendance recorded and each person required to sign a statement that he/she understands and agrees to the DC ethics rules;
 - Quarterly ethics sessions at each All Hands meeting starting in October 2007;
 - A zero-tolerance policy of swift investigation and response to suspected fraud;
 - Creating a new OCTO "Keep It Clean" "Wiki" site that offers guidance and directions on ethics, fraud prevention, and whistleblower protection. The homepage is Attachment E [**AND HERE ON THIS SCREENSHOT**]. The site includes resources like the DC ethics rules and the whistleblower protection law, key phone numbers for the IG hotline to report suspected fraud and the OCTO

Ethics Officer to report fraud and obtain ethics guidance, and directions to complete automated sign-up for ethics training on each person's first day at work.

5. Physical Controls

We've implemented several measures to strengthen physical controls at OCTO.

- Especially critical was the need for asset tracking and management. We have created a central receiving area to receive and store all equipment deliveries, rather than having deliveries dispersed to scattered program areas. Bar code scanning will record every asset delivered for a new central automated inventory.
- We are launching a new automated staff equipment tracking system, linked to our new central receiving room. The system will record and track every piece of equipment—such as cell phones, PDAs, laptops—that we issue to any staff member, FTE or contractor, and will track that individual's equipment from their first day on the job to departure. Access to the system will be limited to FTE managers and HR staff. The system will ensure that when an employee starts work, he/she has all the equipment necessary, and it will ensure that we recover all equipment when an employee leaves.
- Finally, we have increased security at the OCTO central office. Ideally, physical security should mirror the “ever-vigilant” principle of our 24/7/365 IT security. Now cameras record all activity in the waiting area and in the main hallway. The cameras are linked to monitors, so people see themselves on camera. The cameras and monitors are shown in Attachment F. **[SHOW PICTURE]** The purpose is to harness the Hawthorne effect, which holds that people change behavior when they know they're being observed.

Fraud Prevention, Deterrence, and Detection

While not all of the programmatic controls I've described translate directly into anti-fraud measures, together they create an overall atmosphere of increased transparency and accountability that should help prevent wrongdoing. In addition, some of the controls should work directly to prevent, deter, and detect fraud. For example, our cap on contractor overtime without pre-approval should help prevent fraud in the form of contract staff overbilling. Paying close attention to the results of our IT background checks, as we've done this year, should help us eliminate potential wrongdoers from our employee pool. Regular TechStat sessions will help prevent fraud through probing program reviews that may change business processes. Our security cameras should help deter fraud through the Hawthorne effect, and may also detect suspicious activity. Our ethics compliance program—especially our zero-tolerance policy and our new Wiki that facilitates fraud reporting—should help deter and detect fraud.

Conclusion

Madam Chair, I recognize that we can't change people's intent to do harm. But we can do our best to prevent the bad from entering our workforce. We can help the good to report the bad so we detect fraud early. We can deter the in-between from temptation through training and a culture of transparency, accountability, and innovation. I believe that today we have a reasonable set of controls, but I'm sure they can be strengthened. To that end, I met earlier this week with the Inspector General to invite his recommendations. I welcome yours as well. This concludes my testimony. I'll be happy to answer any questions you may have.

OCTO Controls Against Waste, Fraud, and Abuse

CITYWIDE—Leveraging technology for open government

- CapStat support: capstat.oca.dc.gov
- Transparency website: data.octo.dc.gov

OCTO—Controls in 5 key areas

1. OCTO Program Management Controls

- Budget process--business case and detailed spending plans required for every project
- "Stock market model" --on-time, on-budget performance required for funding
- Citywide Portfolio and Project Management tool
- Program Financial Managers (PFMs) centralized in the PMO; PFMs must be FTEs
- TechStat sessions probing every program by interdisciplinary team

2. Procurement Controls

- Deliberative interdisciplinary review for all contracts
- Reduced dependence on contract staff
- Contract staff billing cap--40 hours per week unless an FTE manager pre-approves
- Rule requiring a COTR for every OCTO contract
- Contract staff required to supply their own cell phones

3. Finance Controls

- Partnership with OFRM to add external agency review of OCTO budgets and spending
- Alignment of funding sources (operational vs. capital) with program needs
- Every credit card purchase approved by the Finance Officer and CTO

4. HR Controls

- Background checks for all IT employees
- Annual comprehensive ethics training for all staff
- Quarterly ethics sessions at each All Hands meeting starting 10/07
- Zero-tolerance policy--swift investigation and response to suspected fraud
- New OCTO "Keep It Clean" "Wiki" for ethics, fraud prevention, whistleblower protection

5. Physical Controls

- Central receiving and inventory with bar code scanning and tracking
- Automated staff equipment tracking system for FTEs and contract staff
- Central office cameras and monitors

PICTURE OF PROCUREMENT REVIEW SESSION

PICTURE OF PASS REQUISITION

Keep It Clean Initiative

“KEEP IT CLEAN” WIKI HOMEPAGE

PICTURE OF CAMERAS/MONITORS