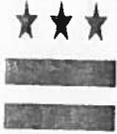


FINAL



**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER**

OFFICE OF INTEGRITY AND OVERSIGHT

JANUARY 2010

**FINAL REPORT ON REVIEW OF OTR
COLLECTION DIVISION'S MONTHLY
METRICS REPORTING**

**THIS REPORT IS AN INTERNAL DOCUMENT FOR OFFICIAL PURPOSES ONLY AND MAY NOT BE
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GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer



Office of Integrity and Oversight

MEMORANDUM

TO: Stephen M. Cordi, Deputy Chief Financial Officer
Office of Tax and Revenue

FROM: Mohamad K. Yusuff, Interim Executive Director
Office of Integrity and Oversight

DATE: January 25, 2010

SUBJECT: Final Report on the Review of OTR Collections Division's Monthly Metrics Reporting (**Report No.: IA:OTR:2907-C12**)

This final report summarizes the results of the Office of Integrity and Oversight's (OIO) Review of the Office of Tax and Revenue (OTR) Collections Division's (CD) Monthly Metrics Reporting. This audit was included in our *Internal Audit Division Annual Work Plan Fiscal Year 2009* as part of our continuing oversight of the OTR operations. The general objective of our review was to determine whether the amounts in the Metrics Report were accurate and reflected data within the Integrated Tax System (ITS). Our specific objectives were to verify that:

- Amounts recorded in the *Metrics Report* are supported by source data within CD;
- Amounts in the *Metrics Report* have been included in the system of accounting and financial reporting (SOAR) for the correct period; and
- CD maintains a functional system of internal controls over its processes to ensure reliable reporting of collections data.

This report contains 2 findings detailing the conditions we found during our audit. Overall, we found the collection data presented in the *Metrics Report* are unreliable. The CD was unable to provide us with the months that we requested for testing. In an attempt to verify the validity of the data, we requested data from November 2007 and October 2008. However, the data was incomplete. Based on the test results OIO terminated further review of this engagement.

We made appropriate recommendations to address the issues cited herein, which if implemented, will strengthen the internal controls over the compilation of the Monthly Metrics Reporting.

In its response, OTR stated that the monthly metrics report is currently being prepared electronically by the Information Technology Specialist in the Compliance Director's office. This information is collected from the Executive Dashboard based on information from the Integrated Tax System. The Collection Division revenue was grossly understated in the manual collection reports and the manual information is no longer being produced.

OTR acknowledges and agrees with our findings and recommendations; however, OTR did not provide a comprehensive response to the recommendations provided. This manually produced data is used by CD management to perform other assessments of collection activities and workloads. Production of accurate and reliable data is necessary in order to allow CD management to make a valid assessment. We expect OTR to revisit our recommendations and prepare a formal corrective action plan to address the accuracy and reliability of the manual data from the Revenue Officers and Tax Examiners. Our office will follow up on this report in FY 2010 as part of our continued monitoring and review of OTR operations.

We appreciate the assistance and cooperation that you and your staff provided us during the review. Should you have any questions on the final report or need additional information, please contact Nelson Alli at 442-8274 or Tisha Edwards at 478-9143.

Attachments

cc: Natwar M. Gandhi, Chief Financial Officer, Government of the District of Columbia
Lucille Dickinson, Chief of Staff, OCFO
Angell Jacobs, Director of Operations, OCFO
Glen Groff, Director of Operations, OTR
Bedell Terry, Director of Compliance, OTR
Mohamad K. Yusuff, Director of Internal Audit, OIO
Doris, Faulkner, Acting Chief of Collections, OTR
Nelson A. Alli, Senior Audit Manager, OIO
Tisha N. Edwards, Audit Manager, OIO

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Acronyms and Abbreviations

Automated Clearing House	ACH
Collections Division	CD
Compliance Administration	CA
Deputy Chief Financial Officer	DCFO
Electronic Funds Transfer	EFT
Fiscal Year	FY
Integrated Tax System	ITS
<i>Monthly Metrics Report</i>	<i>Metrics Report or Report</i>
Office of the Chief Financial Officer	OCFO
Office of Integrity and Oversight	OIO
Office of Tax and Revenue	OTR
Payment Voucher	PPV
Revenue Officer	RO
Senior Revenue Officer	SRO
System of Accounting and Reporting	SOAR

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Executive Summary

The Office of Integrity and Oversight (OIO) performed a review of the Compliance Administration Collections Division monthly metrics reporting for the period October 1, 2005 through October 31, 2008. This review was included in OIO's fiscal year 2009 (FY09) annual audit plan as part of our continuing oversight of the OTR operations. The general objective of the review was to determine whether the amounts included in the "*Monthly Metrics Report*" (*Metrics Report* or *Report*) were accurate and reflected data within the Integrated Tax System (ITS).

OTR's mission is to collect the proper amount of tax due to the District government and correctly report and account for all revenues, while minimizing the burden on taxpayers and cost to the government. To carry out this mission OTR's Compliance Administration (CA) has the responsibility for ensuring voluntary compliance with the District's tax laws and regulations. The Collections Division (CD) falls under CA and is responsible for the collection of taxes, with the exception of taxes levied on real property, from individuals, organizations, and businesses that have not paid the full amount of the tax due (deficient tax collections) or have not filed the required tax returns (delinquent tax collections).

CD and CA management use the *Metrics Report* as a snapshot of its efforts to collect delinquent non-real property taxes. This report, prepared by CD for CA as a whole, captures the monthly collections data from:

- Revenue Officers (ROs) assigned to field collection units and the ROs assigned to the Tele-Collections Unit, within CD;
- The Special Investigation Unit (SIU), which processes bankruptcy and other court involved collection cases;
- Contractor assigned to collections that the ROs had little success in securing taxes due;
- Refund offsets from DC Government returns and intercepts of refunds of federal taxes (IRS Offsets);
- Auditor initiated collections – auditee has agreed with an auditor's assessment of a deficiency and provided the auditor with the payment of the outstanding taxes – short circuiting the collections process; and
- Late filed returns that account for the individuals who file a return after the due date and make the necessary tax payment with the return.

Data included in the *Report* is indicative of the collections included in ITS. The CD considers this to be a management report, which may not always agree with the data in ITS and the System of Accounting and Reporting (SOAR) due to timing differences and other adjustments.

Summary of Results

OIO originally requested a random sample of 12 months of underlying data to test the reliability of amounts included in the monthly *Report*. The CD was unable to provide us with the months that we requested, due in part to staffing changes in the position responsible for the production of the *Report* and also misplacing the detailed data. In an attempt to verify the validity of the data,

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we requested data from November 2007 and October 2008. The CD provided us with incomplete data from November 2007, and purportedly a complete set of underlying data for October 2008. The November 2007 data was very fragmented and did not provide sufficient information for effective and reliable analysis. Additional details are provided in the Objectives, Scope and Methodology section of this report.

OIO review found that the amounts included in the monthly *Report* were unreliable. Our testing identified discrepancies in the *Reports* throughout the three year audit period, and in the underlying data for the October 2008 reports. The underlying data for November 2007 was incomplete and not in a condition where we could analyze its accuracy and impact. Our analysis of the October 2008 underlying data found a number of discrepancies and mathematical inaccuracies that resulted in overstatements of total receipts between \$211,602 and \$364,145 (see Tables 3 and 5). Further, OIO determined that there exists more than a remote possibility that receipts were double counted in the total receipts reported for the audit period. Based on the test results from the *Reports* and our testing of the underlying data from November 2007 and October 2008, OIO terminated further review of this engagement.

This report contains a series of six recommendations to the CD Chief including:

- Require that all CD receipts be supported by reports generated from ITS and not the current manual system.
- Mandate that all underlying data supporting the monthly *Reports* be retained in tact and stored in a location that will enable CD to minimize the chances of inadvertent loss or destruction.
- Develop systems that require all weekly and monthly collection reports be mathematically validated and errors resolved before the amounts in the reports are included in higher level reports.
- Require that all changes in the amounts reported in the *Report* be explained with footnotes on the face of the *Report*.
- Establish written documentation standards for all receipts to be included in the weekly and monthly collection totals.
- Establish timelines for the submission of all weekly and monthly reports by the ROs and SROs together with the accompanying documentation.

AGENCY'S RESPONSE

In its response, OTR stated that the monthly metrics report is currently being prepared electronically by the Information Technology Specialist in the Compliance Director's office. This information is collected from the Executive Dashboard based on information from the Integrated Tax System. The Collection Division revenue was grossly understated in the manual collection reports and the manual information is no longer being produced. OTR acknowledges and technically agrees with our findings and recommendations.

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OIO Auditor Evaluation:

The OTR has discontinued the use of manual reporting; therefore, the recommendations provided as it relates to the reliability and accuracy of manual data maintained by the revenue officers are no longer valid. The implementation of the automated *Metrics Report* addresses the accuracy and support for the amounts included in the report; however, OIO recommends OTR address the methodology for reporting and determining reliability of the data provided in the automated report. We recommend OTR develop a reporting and verification methodology for the automated report. OIO will follow up on this report in FY 2010 as part of our continued monitoring and review of OTR operations.

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Introduction and Purpose

The Office of Tax and Revenue (OTR) is one of the central agencies within the District Government's Office of the Chief Financial Officer (OCFO). OTR's mission is to collect the proper amount of taxes due to the District government and correctly account for all revenues, while minimizing the burden on taxpayers and cost to the government. OTR's Compliance Administration (CA), one of six administrations within OTR, is responsible for ensuring voluntary compliance with the District's tax laws and regulations. The Collections Division (CD) falls under CA and is responsible for the collection of taxes, with the exception of taxes levied on real property, from individuals, organizations, and businesses that have not paid the full amount of the tax due or have not filed the required tax returns.

The District Government's Code provides the statutory authority, primarily located in Title 47, to the CD for the collection of various taxes and fees levied on individuals, organizations, and businesses who either reside or do business within the District. The CD uses a combination of both District Government employees, primarily revenue officers (ROs) and supervisory revenue officers (SROs), and contractors to collect the deficient, delinquent accounts¹. The employees are divided among several teams of collectors and specialized units.

To report the progress of CA in collecting delinquent tax revenues, a "*Monthly Metrics Report*"² (*Report or Metrics Report*) is prepared by CD for CA as a whole. CD's collection efforts are the primary source of revenues and data included in this report. The CD, over the past three fiscal years in their *Metrics Reports*, reported significant increases in the collection of delinquent taxes and fees. Collections increased from \$91.2 million to \$173.2 million, approximately a 90.00 percent increase, from fiscal year 2006 (FY06) to fiscal year 2008 (FY08). Table 1 provides additional details on the year to year increases in reported collections.

**Table 1
Reported Collections FY06 to FY08**

Fiscal Year	Total Collections per <i>Report</i>	Monetary Change from Prior Year	Percentage Change from Prior Year
FY05	\$79,976,383	-	-
FY06	91,162,796	\$11,186,413	13.99
FY07	127,036,414	35,873,618	39.35
FY08	173,177,182	46,140,768	36.32

Source: OIO analysis of the CD *Metrics Reports* for FY06 through FY08

¹ Deficient accounts are those where the full amount, including penalties and interest, were not paid to the District Government. Delinquent accounts are those where the taxpayer has not filed the necessary return(s) and paid any taxes due to the District Government.

² The *Monthly Metrics Report* includes data from the Audit and Special Investigations Divisions on the collection of delinquent taxes. CD includes these amounts in the report in order to provide the reader with a more global picture of the total delinquent collections in a reporting period.

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Objectives Scope and Methodology

The OIO included it in its FY09 annual audit plan, as part of our continuing oversight of the OTR operations. The review's general objective was to determine whether the amounts included in the *Metrics Report* were accurate and reflected data within the integrated tax system (ITS). Our specific objectives were to verify that:

- amounts recorded in the *Metrics Report* are supported by source data within CD;
- amounts in the *Metrics Report* have been included in the system of accounting and financial reporting (SOAR) for the correct period; and
- CD maintains a functional system of internal controls over its processes to ensure reliable reporting of the collections data.

The review covers the period October 1, 2005 through October 31, 2008 (FY06 through FY08 plus October 31, 2008). The review does not address the collections activities involving individual taxpayers or the work of the collection contractors, other than to report the amounts collected. These areas may be reviewed in future projects.

This review was performed during the period March 2009 through August 2009, in accordance with the Comptroller General of the United States standards for attestation engagements. These standards require that we plan and perform the review to obtain sufficient appropriate evidence to provide a reasonable basis for our findings and conclusions based on the review's objectives. We performed the following tasks to obtain the evidence used in this review:

- Obtained and analyzed the *Reports* prepared by CD including reviewing the reports for mathematical accuracy.
- Interviewed managers and staff within CD and the Returns Processing Administration (RPA) regarding the process and procedures for processing delinquent tax collections;
- Reviewed the documentation used to support the amounts generated from ITS.
- Inquired as to the methodology for reporting Internal Revenue Service offsets.
- Reviewed the November 2007 and October 2008 weekly and monthly collections reports to verify the accuracy of the amounts reported in the *Metrics Report* for November 2007 and October 2008.

OIO attempted to verify the data underlying the amounts in the *Metrics Report* by requesting monthly collection data from 12 randomly selected months during our audit period:

**Table 2
Months of Collection Data Requested**

Fiscal Year	Month 1	Month 2	Month 3	Month 4
2006	May 2006	February 2006	July 2006	November 2005
2007	October 2006	August 2007	June 2007	April 2007
2008	June 2008	August 2008	October 2007	May 2008

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CD, with the exception of partial data for October 2007, was unable to provide us with detailed data that would support the amounts included in the *Report*. According to the CD staff, the position responsible for the production of the *Report* and the safeguarding of the underlying data had experienced a high turnover. This turnover coupled with limited storage space resulted in the requested data being misplaced. In order to validate the amounts reported in *Report*, OIO expanded its testing to include the additional months of November 2007 and October 2008.

Review Results

OIO concluded that the collection data presented in the *Metrics Report* are unreliable. Our testing of the November 2007 and October 2008 activities found numerous discrepancies in the reporting of collections data by the individual ROs and SROs. We found that weekly collections reports completed by the ROs did not agree with the monthly summaries compiled by the SROs and with the *Metrics Report* prepared by CD. We noted a number of mathematical errors in calculating the amounts collected by the ROs, and summarizing a collection team results by the SROs. We noted that CD overstated the receipts reported in the October 2008 *Metrics Report* between \$211,602 and \$364,145, depending on the source of the data (see Tables 3 and 5). OIO was unable to satisfy itself that any of the amounts in that range was the correct amount. The underlying data provided to us for November 2007 was incomplete. We were unable to fully assess the extent that the errors we noted impacted the validity of the amounts reported. Further, the reconciliation of the original November 2007 RO reports to the amounts included in the report was insufficient to determine whether the RO reports were accurate and reliable. Based on these results, OIO has suspended further review efforts in this engagement

At the conclusion of fieldwork the Chief, Collections Division, informed OIO that the procedures for compiling the *Metrics Report* were changing based on inconsistencies they noted in the preparation of the report. Some of the inconsistencies were similar to those discussed in this report. We were told that the revised procedures were implemented for the March 2009 *Metrics Report*.

Recommendations in Brief

OIO recommends that the CD Chief take the following actions:

- Require that all CD receipts be supported by reports generated from ITS.
- Mandate that all underlying data supporting the monthly *Reports* be retained in tact and stored in a location that will enable CD to minimize the chances of inadvertent loss or destruction.
- Develop systems that require all weekly and monthly collection reports be mathematically validated and errors resolved before the amounts in the reports are included in higher level reports.
- Require that all changes in the amounts reported in the *Report* be explained with footnotes on the face of the *Report*.

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- Establish written documentation standards for all receipts to be included in the weekly and monthly collection totals.
- Establish timelines for the submission of all weekly and monthly reports by the ROs and SROs together with the accompanying documentation.

Detailed Findings and Recommendations

1. *Collections Data in the Metrics Report are Inaccurate and Unreliable*

According to the CD's staff, the weekly and monthly reports prepared by the ROs and SROs respectively form the basis for the production of the *Metrics Report*. The individual ROs prepare the weekly report³ based on the collections for the period. Collections include checks⁴, electronic funds transfers (EFTs), credit card payments (only through the website www.officialpayments.com), and automated clearinghouse (ACH) debits. The ROs are to include with the report a copy of each payment posting voucher (PPV) and copies of the checks submitted to the Returns Processing Administration (RPA) for processing. For ACH and EFT payments, a screen print of the payment data is used. For credit card payments, a copy of the payment screen from the official payments site is the supporting documentation. According to the CD Chief the ROs must include support with the weekly report for each collection otherwise they are not given credit for the collection.

SROs review the weekly reports and provide a journal tape that lists each collection entry. The total of the journal tape should agree with the amount recorded on the weekly report. Differences between the weekly report and the journal tape should be returned to the individual RO for adjustment/correction. The validated weekly report is the basis for the SRO preparing the monthly summary report. The *Report* summarizes the monthly collection activity by individual RO based on the weekly reports submitted to the SRO. The SRO is to provide a journal tape which reflects the totals collected by each RO during the period. The SRO forwards the validated monthly reports to CD's management program analyst for consolidation into the *Metrics Report*.

³ The weekly report is based on a Monday through Friday week. These reports are not adjusted for collections that occur in a prior or future period. For example, the reporting period ending October 3, 2008, included collections from September 29 and 30. The monthly reports were not adjusted to reduce the collections for that two day period. The report is placed in the monthly period based on the end-of-week date listed on the document.

⁴ The use of the term checks refers to personal checks, money orders, cashier/treasurer's checks, and certified checks. CD does not permit ROs to accept currency for the settlement of a delinquent account. A taxpayer who wishes to pay in cash must go to the Office of Finance and Treasury's cashiers' window to make the payment. The taxpayer will be provided with a receipt which the RO copies and retains to support the collection of the delinquent account

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(a.) Neither the summarized weekly nor monthly reports agreed with the *Metrics Report*.

The CD, during the period covered by this review, did not have a process in place to validate the amounts reported as collected with the *Report*. We found a significant number of errors in the reporting of the October 2008 collections. For example, we found a significant number of differences between the amounts reported by the ROs and the journal tapes prepared by the SROs. The differences included both under and over statements of the amounts collected. None of the reports that we tested were adjusted to reflect the correct amount, and no documentation was available to determine whether the RO and SRO agreed on the correct amount to be included in the report. Table 3 provides a summary of the differences that we found when comparing the weekly reports to the SRO generated monthly reports and to the *Metrics Report*.

**Table 3
Comparison of the Weekly Reports to the SRO Journal Tapes and Metrics Report for October 2008**

Receipt Category on <i>Metrics Report</i>	Amount per ROs' Weekly Report	SROs' Weekly Journal Tape	Amount per <i>Metrics Report</i>	Difference Weekly Report to <i>Metrics Report</i>	Difference SRO Journal Tape to <i>Metrics Report</i>
RO Collections ^a	\$2,928,612.00	\$3,028,698.44	\$3,346,696.00	\$(418,084.00)	\$(317,997.56)
Telephone Unit	277,221.07	277,221.42	276,951.00	270.07	270.42
Special Investigations	155,072.16	198,037.96	193,594.00	(38,521.84)	4,443.96
Contractor Collections	332,502.27	328,085.99	226,405.00	106,097.27	101,680.99
Total	\$3,693,407.50	\$3,832,043.81	\$4,043,646.00	\$(350,238.50)	\$(211,602.19)

^a The *Metrics Report* includes the amount listed for contractor collections in the RO Collections total. OIO reduced the RO Collections amount in this table by the contractor collections amount.

Source: OIO analysis of RO weekly reports and the *Metrics Report*.

The monthly collection reports prepared by the SROs are to be a compilation of the activities of the ROs within a specific collection team or specialized unit. This report is to be supported by a journal tape of the collections made by the ROs during the reporting period. The monthly summary report is the basis of the collection activities listed in the *Metrics Report*.

OIO's testing of the monthly reports found a significant number of differences between the amounts reported, the journal tapes, and the *Report*. Neither the SROs nor the management analyst preparing the report appeared to note the differences or determine which amount was the correct amount. Further, OIO found that the amounts reported by the SRO's in the monthly reports did not agree with the summation of the weekly ROs' collection activities. OIO was unable to determine which of the RO or SRO amounts was correct and includable in the *Report*. Table 4 provides the differences between the summary of the RO collections reports and the SRO monthly reports. Table 5 is a comparison of the SRO monthly report and journal tape amounts with the amounts listed in the *Metrics Report*.

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**Table 4
Comparison of the RO Weekly Reports and the SRO Monthly Reports for October 2008**

Collection Unit	Summary Total of RO Weekly Reports	SRO Monthly Report	Difference
Team 1	\$ 264,881.00	\$ 334,165.00	\$ (69,284.00)
Team 2	1,283,163.00	1,278,023.00	5,140.00
Team 3	609,761.00	526,718.00	83,043.00
Team 4	770,807.00	770,809.00	(2.00)
Total Revenue Officer Collections	2,928,612.00	2,909,715.00	18,897.00
Telephone Collections	277,221.07	277,709.00	(487.93)
Special Investigations Unit	155,072.16	183,657.00	(28,584.84)
Contractor Collections	332,502.27	308,419.93	24,082.34
Grand Total	\$ 3,693,407.50	\$ 3,679,500.93	\$ 13,906.57

Source: OIO analysis of October 2008 weekly and monthly reports from the ROs and SROs respectively.

**Table 5
Comparison of the Monthly Reports to the Journal Tapes and Metrics Report for October 2008**

Receipt Category on <i>Metrics Report</i>	Amount per SROs Monthly Report	SROs Monthly Journal Tape	Amount per <i>Metrics Report</i>	Difference Monthly Report to <i>Metrics Report</i>	Difference SRO Journal Tape to <i>Metrics Report</i>
RO Collections ^a	\$2,909,715.00	\$3,018,610.48	\$3,346,696.00	\$(436,981.00)	\$(328,085.52)
Telephone Unit	277,709.00	276,951.00	276,951.00	758.00	0.00
Special Investigations	183,657.00	193,594.00	193,594.00	(9,937.00)	0.00
Contractor Collections	308,419.93	328,085.99	226,405.00	82,014.93	101,680.99
Total	\$3,679,500.93	\$3,817,241.47	\$4,043,646.00	\$(364,145.07)	\$(226,404.53)

^a The *Metrics Report* includes the amount listed for contractor collections in the RO Collections total. OIO reduced the RO Collections amount in this table by the contractor collections amount.

Source: OIO analysis of monthly SRO reports and the *Metrics Report*.

(b.) The *Metrics Report* and the reports prepared by the ROs and SROs were not always mathematically accurate.

The absence of a process to verify the accuracy of the data presented in the *Metrics Reports* included verification of the mathematical accuracy of the information. OIO recalculated the Report and found a number of discrepancies in calculating the total collections for several months included in the audit period. Table 6 provides additional detail on these differences.

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**Table 6
Mathematical Differences in the *Metrics Report***

Reporting Period	Collection Total per CD	Collection Total per OIO	Over/(Under) Reported Collections
November 2005	\$ 7,958,762	\$ 7,953,000	\$ 5,762
April 2006	5,040,687	5,744,211	(703,524)
May 2006	5,906,193	6,154,793	(248,600)
June 2006	6,704,374	6,835,847	(131,473)
Total for FY06	25,610,016	26,687,851	(1,077,835)
July 2007	7,968,440	9,287,964	(1,319,524)
Total FY07	7,968,440	9,287,964	(1,319,524)
Total	\$ 33,578,456	\$35,975,815	\$ (2,397,359)

Source: OIO review and recalculation of *Metrics Reports*

Mathematical errors were found in CD's reporting of the year-to-date (YTD) amounts for individual receipt categories. We noted that in several cases the errors would be carried forward for several months and then would appear to resolve themselves. The CD did not include any explanation for the differences or the changes in the amounts on the face of the *Reports*. Based on the data that we were provided, we were unable to ascertain the accuracy of the reports.

(c.) Changes in *Report* data presentation not explained on the face of the report.

The CD in FY08 appeared to substantially change the methods it used to report receipts from various sources. These changes, with the exception of a footnote stating that the collections of the contractor were included in the revenue officer collection totals, were not explained in the *Report's* face. The changes which involved the exclusion of collections from offsetting other DC refunds to the taxpayer and revising the amount collected by the contractor in the reporting are material to understanding of the *Report*. Further, in OIO's opinion, inclusion of collections as part of the Revenue Officer report of collections, distort the collections of both OTR and contractors' and also indicates an absence of the necessary level of oversight.

Consistency in reporting is necessary for a reader to be able to compare, in this case receipts, from one period to another and from year to year. Good business practice would dictate when there are significant changes in the amounts reported that the change be highlighted on the face of a report or statement. This helps to ensure that the reader can identify the change and evaluate its impact on the data being reported. Without the disclosure of the change in reporting methods, the data is not comparable for between periods.

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(d.) Similar inaccuracies and data discrepancies were found in the November 2007 Report.

OIO requested that CD provide us with the detailed reporting data for the November 2007 reporting period. CD was unable to provide us with all of the data to support the Report for that period, due in part to a turnover of staff responsible for the data's collection and retention. Further, we noted that the November 2007 Report contained inaccuracies in the summation and reporting of the data similar to those reported for the October 2008 period. Subsequently, OIO decided to suspend the review because we were unable to obtain reliable collection data and reports.

Recommendations

The CD Chief should consider taking the following actions:

- 1-1 Require that all CD generated data in the collection report be supported by data generated from ITS and discontinuing the development of separate reports for the *Metrics Report*.
- 1-2 Mandate that all supporting and summarized data used to compile the monthly reports be retained in tact and stored in a location that will minimize the chances of loss or inadvertent destruction
- 1-3 Develop a system that ensure that all weekly and monthly collection reports are verified for mathematical accuracy, that all differences are resolved, and the reports corrected, as necessary.
- 1-4 Require that all changes to the reporting format be explained on the face of the statement. These footnotes should be included on the face of the statement for as long as they are relevant.

Agency Response:

OTR based on its implementation of an automated *Metrics Report* generally concurred with the recommendations related to the accuracy of the reporting process (Recommendations 1-1).

OIO Auditor Evaluation:

OTR partially responded to the report's recommendations. The OTR has discontinued the use of manual reporting; therefore, the recommendations provided as it relates to the reliability and accuracy of manual data maintained by the revenue officers are no longer valid (Recommendations 1-2 and 1-3); however, OTR should still document changes to the reporting format on the face of the *Metrics Report*.

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2. *Current System does not Preclude the Potential for Double Counting Receipts in the Metrics Report*

CD does not have a system that precludes the unintentional or intentional double counting of receipts reported by ROs and SROs. The current system used by CD relies extensively on the veracity of the ROs and SROs in reporting receipts. In our testing of the October 2008 receipts, we found that one RO had used the same documentation in two weekly collection reports to support the revenues collected. In both weekly collection reports the SRO had accepted the same documentation, apparently without comment. Subsequent to our testing we were told that all October 2008 reports had been reviewed and had been revalidated by the SROs to ensure that each collection was documented.

CD allowed a number of different methods for a RO to document the collection of revenues. This documentation varied significantly and did not always appear to agree with the oral documentation standards that the CD staff provided to us. We found variations in the documentation where:

- a copy of the payment posting voucher and check was submitted as support;
- only the copy of the payment voucher was included as support for the payment;
- a copy of the check processed by RPA with the keypunch number and processing date was submitted with no payment posting voucher;
- copies of tax returns that were filed with payments; and
- a copy of the CD invoice and check was submitted as support.

Further, OIO noted during its review of the supporting documentation that checks written several months prior to the RO's report were included as documentation for the collection. The RO or SRO did not provide any explanation for the delay in processing. This condition can lead to instances where the receipt is "double counted" by the RO and SR, thus distorting the true collection activity..

Using these widely varying methods of documentation places a significant amount of responsibility on the SROs to determine whether the documentation is accurate and whether it should be included in the weekly collection and monthly collection totals that are used to determine whether the RO has met their collection goal for the period.

OIO during our fieldwork was told that CD does not have a system or procedures in place that segregates the repayment of defective checks from other collections. The absence of a system or procedures increases the likelihood that defective checks could be double counted by ROs and in the totals included in the *Report*.

Standardizing the documentation standards for inclusion of receipts in a RO's weekly and monthly collections could provide several benefits including: (i) ensuring that all RO transactions are adequately documented; (ii) removing the necessity of having a SRO determine whether the collection meets the standard or not, and (iii) reducing the possibility of submitting the same transaction multiple times for inclusion in the collection totals.

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Recommendation

OIO recommends that the Chief, CD take the following corrective actions:

- 2-1 Establish written standards for the documentation of all collections to be included as part of the weekly and monthly collections reports including a standardized methodology for inputting collections to avoid double counting or errors. These standards should include procedures for the SROs to follow when "double counting" of receipts by a RO is suspected.
- 2-2 Establish timelines for the submission of weekly and monthly reports to a SRO for review and approval. The documentation to support the collections must be included with the reports.

Agency Response:

OTR did not specifically respond to Recommendations 2-1 and 2-2. OTR's implementation of the automated *Metrics Report* partially responds to Recommendation 2-1 for documentation to support the amounts included in the *Report*. The reporting string necessary to produce the automated data provides the data source documentation.

OIO Auditor Evaluation:

OIO partially addressed Recommendation 2-1 and did not address Recommendation 2-2. Establishing written standards for documentation and for reporting is critical to maintain the accuracy of the reporting going forward. OTR should consider as part of its comprehensive approach to address the recommendations in this report, implementing standards and procedures that address the production of automated data.

Subsequent Events

OIO met with officials from CA and CD, on May 4, 2009, to discuss the issues identified above. We were told that several actions were taken to resolve many of the issues we reported. These actions were completed in March 2009 and included:

- Conducting a review of all RO and SRO collections to ensure that the amounts reported were supported by actual payments that were processed through ITS. CD staff stated that only amounts that could be supported by copies of checks or other payment indicators (credit cards and ACH debits) would be credited against the collection goals.
- Revising the *Metrics Reports* to reflect the verified collection data reported by the ROs and SROs.

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To further improve the collections reporting process, the CD is working with CA and the DCFO's office staff to develop reports that will reflect the collections processed through ITS. These reports will be used to populate the collections results in the *Metrics Report*.

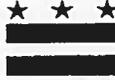
OIO staff met with CD and CA on May 28, 2009, to review the components in ITS that will be used to populate the revised *Metrics Report*. OIO provided comments to CA and CD on items that should be considered in the report. OIO agreed, at the request of CA and CD, to review a revised report based on the May 28 comments before the reporting is finalized.

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EXHIBIT 1

Agency Response

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer
Office of Tax and Revenue



Stephen M. Cordi
Deputy Chief Financial Officer

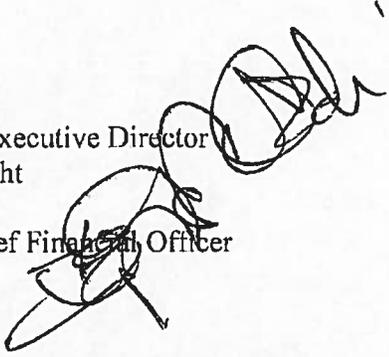
MEMORANDUM

TO: Mohamad K. Yusuff, Acting Executive Director
Office of Integrity and Oversight

FROM: Stephen M. Cordi, Deputy Chief Financial Officer
Office of Tax and Revenue

DATE: October 23, 2009

SUBJECT: Response to the report on the Review of OTR Collection Division's Monthly Metrics Reporting (Report No.: IA: OTR: 2907-C12)



This is in response a memorandum from the Office of Integrity and Office, dated September 28, 2009, in which provided information on the Collection Division's Monthly Metrics.

As agreed in a previous meeting with representatives from the Office of Integrity and Oversight, the monthly metrics report is currently being prepared electronically by the Information Technology Specialist in the Compliance Director's office. This information is collected from the Executive Dashboard based on information from the Integrated Tax System. The Collection Division revenue was grossly understated in the manual collection reports and the manual information is no longer being produced.

If you need any additional information, please contact Bedell Terry, Director, Compliance Administration at (202) 442-6863.

cc: Glen Groff, Director of Operations, OTR
Bedell Terry, Director, Compliance Administration, OTR
Doris Faulkner, Acting Chief of Collections, OTR
Nelson A. Alli, Senior Audit Manager, OIO
Tisha N. Edwards, Audit Manager, OIO