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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

Mike Teller, Chief Information Officer  
Office of the Chief Information Officer

**FROM:** William J. DiVello, Executive Director  
Office of Integrity and Oversight

A handwritten signature in black ink, appearing to read "William J. DiVello", is written over the printed name and title.

**DATE:** July 7, 2011

**SUBJECT:** FINAL REPORT: Audit of the Process Used to Collect Tax Revenues through Gov One (Report No.: OIO-10-1-01-OTR (b))

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This report summarizes the results of the Office of Integrity and Oversight's (OIO's) Audit of the Process Used to Collect Tax Revenues through Gov One. This is the second of two reports on the Gov One collection process and discusses the audit work related to the processing of and accounting for the revenues within the Office of Tax and Revenue (OTR). This audit is part of OIO's coverage of OTR's operations.

The report contains two reportable conditions that OIO identified during this audit. First, we found weaknesses in the reconciliation process which resulted in the absence of: effective verification of transaction processing; effective reconciliation policies and procedures; and management's review and approval of the reconciliations of Gov One receipts.

Second, we identified weaknesses in the control over Gov One transactions that are not fully processed in the Integrated Tax System (ITS). These weaknesses included ineffective tracking of ITS rejected transactions and those transactions that are not fully processed by ITS. Individual transactions that are removed from a transaction files are not tracked or placed in a suspense account until the processing error can be resolved and the transaction fully processed.

OIO provided three recommendations to address the findings cited in the report. These recommendations, when implemented, should improve the controls and accountability for the payments received through Gov One process. In a joint response to the draft report, the Deputy Chief Financial Officer, OTR and the Chief Information Officer agreed with our recommendations. They stated that the recommendations would be implemented within six

months of implementation of the new lockbox processing system; however, they did not provide the planned date for the implementation of the new lockbox system and projected dates for the implementation of the recommendations. We request that the projected dates for the implementation of the lockbox system and the planned corrective actions be provided to us by August 1, 2011.

We appreciate the assistance and cooperation that you and your staffs provided to us during this audit. Should you have any questions on this report or need additional information, please contact me at (202) 442-6433, or your staff may contact Mohamad K. Yusuff, Director, Internal Audit at (202) 442-8240, or Tisha N. Edwards, Senior Audit Manager, at (202) 442-6446.

**Attachment**

cc: Natwar M. Gandhi, Chief Financial Officer, Government of the District of Columbia  
Angell Jacobs, Chief of Staff, Office of the Chief Financial Officer  
Kathy Crader, Chief Risk Officer, Office of the Chief Financial Officer  
Lasana K. Mack, Deputy Chief Financial Officer, Office of Finance and Treasury  
Glen Groff, Director of Operations, Office of Tax and Revenue  
Clarice Wood, Associate Treasurer, Office of Finance and Treasury

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

**AUDIT OF THE PROCESS USED TO  
COLLECT TAX REVENUES THROUGH  
GOV ONE**

**OFFICE OF INTEGRITY AND OVERSIGHT**



**THIS REPORT IS AN INTERNAL DOCUMENT FOR OFFICIAL PURPOSES ONLY AND SHOULD NOT BE  
RELEASED WITHOUT THE PRIOR WRITTEN APPROVAL OF THE EXECUTIVE DIRECTOR, OIO**

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## Audit of the Process Used to Collect Tax Revenues Through Gov One

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### TABLE OF CONTENTS

#### EXECUTIVE DIGEST

|  |   |
|--|---|
| OVERVIEW.....  | i |
| CONCLUSIONS.....                                       | i |
| SUMMARY OF RECOMMENDATIONS AND MANAGEMENT ACTIONS..... | i |

#### INTRODUCTION

|   |   |
|---|---|
| BACKGROUND.....                         | 1 |
| OBJECTIVES, SCOPE, AND METHODOLOGY..... | 2 |

#### CONDITIONS AND RECOMMENDATIONS

|  |   |
|--|---|
| FINDING 1: RECONCILIATION OF GOV ONE TRANSACTIONS..... | 4 |
| FINDING 2: UNPROCESSED GOV ONE TRANSACTIONS.....       | 8 |

#### EXHIBITS

|  |    |
|--|----|
| EXHIBIT A: SUMMARY OF POTENTIAL BENEFITS FROM AUDIT..... | 10 |
| EXHIBIT B: OTR AND OCIO AGENCY RESPONSE .....            | 11 |

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## Audit of the Process Used to Collect Tax Revenues Through Gov One

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### ACRONYMS

|           |   |
|-----------|---|
| CIO       | Chief Information Officer                                 |
| DCFO, OTR | Deputy Chief Financial Officer, Office of Tax and Revenue |
| DC ST     | District of Columbia Code                                 |
| eTSC      | Electronic Taxpayer Service Center                        |
| FY        | Fiscal Year   |
| Gov One   | gov One Solutions, L.P.                                   |
| ITS       | Integrated Tax System                                     |
| OCFO      | Office of the Chief Financial Officer                     |
| OFOS      | Office of Financial Operations and Systems                |
| OFT       | Office of Finance and Treasury                            |
| OIO       | Office of Integrity and Oversight                         |
| OTR       | Office of Tax and Revenue                                 |
| RAA       | Revenue Accounting Administration                         |
| RPA       | Returns Processing Administration                         |
| SOAR      | System of Accounting and Financial Reporting              |
| TSG       | Tax Systems Group   |
| Wachovia  | Wachovia Bank, N.A.                                       |

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## Executive Summary

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### OVERVIEW

This report is the second of two reports on the collection of revenues through the use of gov One Solutions, L.P. (Gov One) by the Office of Tax and Revenue (OTR). This report summarizes our audit work related to the processing and accounting for receipts by OTR's Returns Processing Administration (RPA) and the Revenue Accounting Administration (RAA). The Office of Integrity and Oversight (OIO) conducted this audit as part of its continuous audit coverage of OTR's operations.

This report examines OTR's processing and accounting for the tax receipts collected through the use of Gov One electronic payment process. OTR is able to provide the District Government's taxpayers with an option to utilize electronic payments through the Office of the Chief Financial Officer's (OCFO's) Electronic Taxpayer Service Center (eTSC).<sup>1</sup> These electronic payments are processed through the services provided by the OTR lockbox services contract.

Our first report addressed the operation and administration of the OTR lockbox services contract with Wachovia Bank, N.A. (Wachovia). This report included three significant weaknesses in the areas of data retention, contract administration, and communication between OCFO organizations. OIO provided ten recommendations to address the weaknesses and improve the administration and operations of the lockbox contract in Report Number OIO-10-1-1-OTR (a).

### CONCLUSION

OIO identified two reportable conditions in its review of the Gov One transactions for this report. First, we identified weaknesses in the process used in the reconciliation of Gov One transactions. These weaknesses included the processing of transactions that resulted in: (1) absence of effective verification of transaction processing, (2) absence of effective reconciliation policies and procedures, and (3) absence of management review and approval of reconciliations.

Second, we identified a weakness in the control of Gov One transactions that are not fully processed in the Integrated Tax System (ITS). RPA does not effectively track transactions that are rejected by ITS or those transactions that do not fully process in ITS. Individual transactions that are removed ("stripped") from a transaction file are not tracked or placed in a suspense account until the error can be resolved and the transaction processed.

### SUMMARY OF RECOMMENDATIONS AND MANAGEMENT ACTIONS

This report contains three recommendations which address the conditions identified during the audit. Two recommendations are directed to the Deputy Chief Financial Officer, Office of Tax and Revenue (DCFO, OTR) and include (1) development of policies and procedures addressing the management and oversight of the reconciliation of Gov One transactions with the lockbox

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<sup>1</sup> For the purpose of this audit, OIO included the Business Tax Service Center and Real Property Taxpayer Service Center as part of e-TSC.

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## Executive Summary

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account and other impacted financial systems; and (2) requiring the Returns Processing Administration (RPA) management review and approve all adjusting entries and reconciliations prior to releasing the data to the Revenue Accounting Administration (RAA) and the Office of Financial Operations and Systems (OFOS).

OIO addressed one recommendation jointly to the DCFO, OTR and the Chief Information Officer's (CIO's) Tax Systems Group (TSG). This recommendations directs RPA and TSG to develop policies and procedures for the processing of erroneous (stripped) transactions and Gov One files, including posting of the transaction data to the ITS suspense account.

The OCFO recently completed negotiations with a potential contractor to provide OTR lockbox services starting in fiscal year 2011(FY 2011). The contract, when approved, will replace the current OTR lockbox services contract and includes electronic payment services. Based on this data, the recommendations in this report are intended to be considered on a go-forward basis along with the terms and conditions of the new contract.

OIO received a joint written response from the DCFO, OTR and the CIO on June 29, 2011. A complete copy of this response is provided at Exhibit B. The DCFO, OTR concurred with recommendations 1 and 2. The DCFO, OTR and the CIO concurred with recommendation 3. The implementation of all of the planned corrective actions is to be within six months of the implementation of the new lockbox processing system. The response to the draft report did not provide us with planned dates for the implementation of the lockbox system or the revised policies and procedures. We request that they provide these dates by August 1, 2011.

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## Introduction

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### BACKGROUND

Consumers and businesses are increasingly using the electronic methods of payment to pay for goods, services, and other obligations such as taxes. Electronic payments include electronic checks, Automated Clearing House debit and credit transactions, and debit and credit cards. For the recipients of electronic payments they may obtain several advantages including (1) reduction in the time necessary to collect the funds, compared with traditional checks, (2) reduction in the human intervention needed to process a payment, and (3) reduction in the time to process a transaction.

In order to leverage the benefits of electronic payments and provide taxpayers with the ability to file their tax returns electronically the OCFO developed e-TSC. In August 2009, the District Government amended its taxation statutes to reduce the electronic filing floor for businesses with tax liabilities from equal to or greater than \$25,000 to \$10,000.<sup>2</sup> Business taxpayers and bulk filers whose tax liability exceeds \$10,000 are now required to file their returns and payments electronically.

Gov One provides the processing services for employee withholding tax payments and real property tax payments. For the businesses making employee withholding tax payments they are required to register with Gov One prior to making the payments. Once registered, the business can make payments using e-checks, ACH debit and credit transactions, and debit and credit cards using the internet, touch-tone telephones, and live operators/customer service representatives. Individual and business taxpayers making electronic real property tax payments are limited to the use of electronic checks through the real property taxpayer service center webpage only. Gov One does not require preregistration for these payments.

All of the tax payments made through Gov One are processed through the OTR lockbox at Wachovia. These payments are deposited to the various District Government accounts in the same manner as other payments.

### OBJECTIVES, SCOPE, AND METHODOLOGY

Our audit's objectives were to determine whether:

- Internal controls provided a reasonable assurance that transactions are processed and reported timely and accurately;
- Electronic payments received by Gov One are processed timely and that unidentified, suspended, and abended payments are resolved promptly; and

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<sup>2</sup> Section 7131 of the Fiscal Year 2010 Budget Support Act of 2009 amended Title 47 section 4402(c) of the District of Columbia Code (DC ST § 47-4402(c)) reducing the filing floor from \$25,000 to \$10,000. The effective date of this change was August 26, 2009, with the implementation of the Budget Support Act.

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## Introduction

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- Controls and processes allow the electronic payment transactions to be traced from the original receipt to the summarization of the transaction in the System of Accounting and Financial Reporting (SOAR).

The audit included the examination and testing of Gov One transactions occurring during the period October 1, 2008 through April 30, 2010.

To accomplish the audit's objectives, OIO obtained an understanding of the process used by Gov One, TSG and OTR to receive and process Gov One receipts. We obtained this understanding through interviews of selected staff and management from the Office of Finance and Treasury, OTR, RPA, TSG, and RAA.

OIO interviewed staff from RAA and RPA to understand the process used to reconcile the employee withholding tax receipts and the real property tax receipts, respectively. We inquired of the RPA staff how unidentified, suspended and abended payments were resolved and posted to the correct taxpayer account.

We tested on a sample basis, the reconciliation of the receipts performed by RPA to ensure agreement with the amounts reported of the receipts performed by RPA to ensure agreement with the amounts reported by Wachovia in the lockbox account and with the amounts reported in the ITS and SOAR as tax receipts. Our tests included the review of reconciling items to ensure that processes were present to resolve those items.

As we previously reported in Report Number OIO-10-1-1-OTR (a), we attempted to verify the retention of the original transaction data. We found that retention and archiving systems maintained by TSG and the Office of the Chief Technology Officer did not function effectively in securing and being able to retrieve original transaction data. In order to test the reliability of the data, we requested that Gov One provide us with backup files that provide the original transactions for both employee withholding taxes and real property taxes for 18 days in our test sample. TSG received a set of real property files for the data that we requested from Gov One. TSG provided us with an unparsed text copy of these files. We found that the files provided by Gov One did not satisfy the objective to ensure the reliability of the payment data for the real property transactions. We developed a series of alternative procedures to assess the reliability of the data by using data generated from the Pay Point application.<sup>3</sup> We found such data to be sufficiently reliable for the purposes of this audit. We did not receive transaction data for the employee withholding tax payments from Gov One. We could not vouch on the reliability of that payment data.

This audit was conducted in accordance with generally accepted government auditing standards for performance audits, except as described in the previous paragraph. These standards require

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<sup>3</sup> Pay Point is a Gov One on demand electronic payment application that allows individuals to make individual electronic payments. This application does not require preregistration with Gov One and for OCFO purposes is limited to payments using electronic checks.

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## Introduction

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that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings, conclusions, and recommendations based on the audit objectives. We believe that the evidence obtained provides a reasonable basis to comply with those standards.

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## Findings and Recommendations

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### **FINDING 1: RECONCILIATION OF GOV ONE TRANSACTIONS**

As OIO previously reported, TSG does not have an effective system to archive all the original transactions from Gov One and the reports are not available that list the individual transactions received from Gov One prior to processing in ITS. Without the ability to compare the original transactions with the data used by RPA to reconcile the lockbox account and ITS deposits; RPA is unable to provide a reasonable assurance that all of the transactions received from Gov One have been processed in ITS or otherwise accounted for. Without the assurance of completeness, we are unable to fully assess the reliability of the data used to reconcile the Gov One receipts with amounts reported in the lockbox account, ITS, and SOAR.

We identified three weaknesses in RPA's process to reconcile the Gov One transactions with the OTR lockbox, ITS deposits, and SOAR. The weaknesses are: lack of verification of transaction processing, absence of effective reconciliation policies and procedures, and the absence of management approval of the monthly adjustments sent to RAA and the reconciliations.

#### *Transaction Processing*

OIO reviewed 4 of 19 Gov One monthly real property transaction reconciliations<sup>4</sup> performed during the audit period. We noted large timing differences between the amounts posted in the ITS compared with transaction amounts reported by Gov One and the amounts included in the OTR lockbox account. These timing differences were caused, in part, by: (1) the different cut off times for transaction processing used by Gov One and ITS; and (2) ITS not fully reporting transactions that are received in the same month. We found in at least one instance where transactions from April 28, 2010 (at least one business day prior to the close of the month) were not processed until May, 2010. In the case of the April 28 transaction 3 payments in a batch of 4 were received by ITS; however, they were not processed in ITS deposit tickets amounts until May 2010. The RPA Program Analyst stated that this condition did not occur infrequently.

Additionally, following an inquiry regarding unprocessed transactions we reviewed the December 2009 reconciliation, where six transactions totaling \$7,530.17 were transmitted by Gov One but were not posted in ITS. This occurred during the Gov One processing cycles on December 24 and 25, 2009. These unprocessed transactions were not identified until the reconciliation was performed in January 2010. The RPA Program Analyst, performing the reconciliation, stated that TSG was unable to determine the cause of this error. The following table provides additional detail for these transactions.

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<sup>4</sup> For the purpose of this report, the term reconciliation refers to the matching of the Gov One transactions to the amounts reported as: (1) deposited in the lockbox account, (2) ITS deposits, and (3) SOAR deposits.

## Findings and Recommendations

### Unprocessed Gov One Transactions for December 2009

| Transaction Date  | Transaction Time                                      | Referenced Square and Lot Number | Transaction Amount |                   |
|-------------------|---|----------------------------------|--------------------|-------------------|
| December 24, 2009 | 06:40:36 A.M.   | 2546/0806                        | \$6,174.27         |                   |
|                   | 07:03:03 A.M.   | 5727/0168                        | 205.87             |                   |
|                   | 07:37:41 A.M.   | 3339/0805                        | 573.46             |                   |
|                   | 09:15:42 A.M.   | 3785/0007                        | 500.00             |                   |
|                   | 12:32:52 P.M.   | 3785/0007                        | 4.53               |                   |
|                   | <i>Total Unprocessed Transactions December 24</i>     |                                  |                    | <i>\$7,458.13</i> |
|                   | 10:35:02 P.M.   | 3207/2085                        | 72.04              |                   |
|                   | <i>Total Unprocessed Transactions December 25</i>     |                                  |                    | <i>\$72.04</i>    |
|                   | <b>Total Unprocessed Transactions December 24, 25</b> |                                  |                    | <b>\$7,530.17</b> |

Source: RPA, December 2009 Reconciliation of Gov One transactions to Bank ID 222 and ITS.

The RPA and TSG transaction processing cycle is missing a critical control by not being able to verify that all the transactions submitted by Gov One were posted to ITS, daily.

#### *Reconciliation Policies and Procedures*

The Government Accountability Office in its publication *Internal Control Standards in the Federal Government* prescribes that all transactions and significant events are to be clearly documented, the documentation available for examination, and the documentation requirements should appear in management directives, administrative policies, and operating manuals.<sup>5</sup> Further, the transaction documentation process and the related policies and procedures can be used as a training aid for staff newly assigned to perform a specific function, as the reconciliation, and as a reference manual for the more experienced staff performing the function.

The management approved procedures contained in RPA's *Operations Manual* were limited to a recitation of where the reader could obtain a web-based Wachovia bank statement, SOAR and ITS Deposit reports, and a Gov One (Pay Point) transaction for the period in question. The procedures offered no guidance on the process that the reader should follow and assumed an extensive knowledge of the reconciliation process used by the RPA staff and the Gov One transaction process.

A Program Analyst, within RPA, developed a written guide to assist in the process of reconciling the Gov One receipts with the Bank ID 222 receipts and ITS deposits. The guide was based on the experience of developing the reconciliation process between Gov One, the lockbox account, and ITS. We found that this guide could be used successfully by someone with a limited knowledge of the Gov One process and how the process is executed. OIO recognizes the Program Analyst for the initiative taken in developing the guide and refining it based on the actual reconciliation process; however, RPA management has not formally reviewed or approved

<sup>5</sup> U.S. Government Accountability Office (formerly the U.S. General Accounting Office); *Internal Control Standards in the Federal Government*; Report Number: GAO/AIMD: 00-21.3.1; November, 1999; page 15.

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## Findings and Recommendations

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the guide which in OIO's opinion is a significant improvement over the process included in the *Operations Manual*.

Additionally, we identified that the current reconciliation process needs to separately identify the amounts that are timing differences and non-timing reconciling differences.<sup>6</sup> The current reconciliation process reports the reconciling items in total and does not distinguish between the two types of differences. Due in part to the variances in the reconciling items each month there is more than a remote possibility that a non-timing difference could be misidentified and not highlighted for management as a potential issue. The current process does not highlight to RPA management the dollar value and number of transactions that are carried from one month to the next.

### *Management Review and Approval of Reconciliations*

OIO identified that RPA management does not review and approve the adjusting entry to equalize the amount recorded as a Gov One receipts in SOAR with the amount reported as Gov One receipts in the OTR lockbox account. This adjusting entry is required by the Office of Financial Operations and Systems procedures. Also, the reconciliation of the Gov One transactions with the amounts reported in the OTR lockbox account and ITS are not reviewed and approved by a RPA manager. The absence of review and approval could allow undetected errors to occur and does not allow RPA managers to be aware of unexpected transactions or non-timing differences that are not resolved timely. In addition to ensuring that the reconciliation adjustments are necessary and appropriate, the review of the reconciliations over time may prompt management actions that may be necessary to address continuing issues.

The independent comparison of assets with the amounts recorded in various systems and records is a long standing internal control activity. Knowledgeable management review and approval of the transactions and reconciliations provides evidence that: (1) the transaction or reconciliation on its face is appropriate, (2) unusual or long outstanding transactions have been brought to management's attention, and (3) that the staff performing the entry or reconciliation have properly executed management's policies and directives in this area.

## RECOMMEDATIONS

The DCFO, OTR take the following actions:

1. Develop and implement policies and procedures that address the management, oversight and reconciliation of the OTR lockbox account, including the specific identification of reconciling items related to timing and non-timing differences.

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<sup>6</sup> OIO identified a non-timing reconciling difference as one which will not resolve itself with the transition from one reporting period to the next and will require intervention on the part of RPA or RPTA to resolve, e.g., unposted transaction.

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## Findings and Recommendations

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2. Require that RPA management review and approve all adjustments and reconciliations prior to forwarding the adjustments to RAA or the OFOS. Unusual entries or long outstanding entries (two months or more) should include explanation(s).

### MANAGEMENT RESPONSE AND OIO COMMENTS

#### Management Response (Recommendation 1)

The DCFO, OTR concurred with the recommendation. OTR will develop and implement policies and procedures to enable the tracking of the lockbox transactions. The tracking will identify specific items that require OTR intervention and will enable the processing and documentation of the transactions. These policies and procedures will be published within six months of the implementation of the new lockbox processing system that is being installed as part of the recently executed lockbox contract.

#### OIO Comment

OTR's planned actions are responsive to the recommendation. OTR did not provide us with projected dates for the implementation of the new lockbox system and the implementation of the planned policies and procedures. OIO requests that OTR provide the projected dates of the implementation of the lockbox system and the policies and procedures by August 1, 2011.

#### Management Response (Recommendation 2)

OTR concurred with the recommendation. Their response stated that RPA would put in place policies and procedures that would: (1) require the RPA management review of all adjustments and reconciliations; and (2) require written justification for all entries that are not self explanatory. These policies and procedures are to be implemented within six months of the new lockbox processing system.

#### OIO Comment

OTR's planned actions are responsive to the recommendation. OTR did not provide us with projected dates for the implementation of the new lockbox system and the implementation of the planned policies and procedures. OIO requests that OTR provide the projected dates of the implementation of the lockbox system and the policies and procedures by August 1, 2011.

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## Findings and Recommendations

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### **FINDING 2: UNPROCESSED GOV ONE TRANSACTIONS**

RPA does not adequately control the Gov One entries and transaction files that are not accepted by ITS or fully processed within ITS, respectively. These transactions are not identified and segregated to ensure that RPA is aware of the outstanding unprocessed entries. As a result, RPA cannot provide a reasonable assurance that it has accounted for all entries and that the unprocessed entries are resolved in a timely manner.

Based on interviews with management level staff in both TSG and RPA, we found that rejected ITS transaction were not adequately controlled. RPA did not record the rejected transactions in a suspense or unidentified transactions account. By not recording and controlling the transactions RPA cannot assure that the processing of the Gov One payments are complete.

The most common unrecorded transactions, according to our interviews with RPA and ITS, are the "stripped transactions". A "stripped transaction" cannot be processed as received from Gov One and must either be changed before or removed from the data file before the data file can be processed. The "stripped transactions", based on OIO's review of the transactions during the audit period, appear to be infrequent due to the application controls that are in place. When a "stripped transaction" is encountered the entire file is blocked from processing in ITS.

TSG stated that they do not strip the transaction from the file but instead return the whole file to RPA with an e-mail message that identifies the erroneous transaction and the reason for the rejection. TSG believes that RPA returns the transaction file, through the contracting officer's technical representative, to Gov One for correction of the error. Following this scenario, the transaction file is not processed until a corrected file is received. This process can take several days and creates a non-timing reconciling difference between the Gov One transactions and the receipts recorded in the OTR lockbox. RPA does not take any action to record these individual transactions or the transactions from the data file into an ITS suspense account for Gov One transactions.

A manager from RPA, responsible for the oversight of the processing of the Gov One transactions, stated that when an erroneous transaction was encountered RPA would strip the individual transaction from the file and send the balance of the file to TSG for processing. This allows for timely processing of the balance of the file but did not ensure that the erroneous transaction was corrected and reprocessed. These erroneous transactions are not recorded in the ITS suspense account.

The TSG and RPA scenarios for addressing stripped transactions do not provide the necessary assurances that: (1) the erroneous transactions are specifically identified, (2) the type of error is

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## Findings and Recommendations

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identified to minimize its reoccurrence, and (3) that amount of the transaction is included as reconciling item. OIO identified more than a remote possibility that control over the transaction could be lost and the transaction not be recorded to the taxpayer's account. Additionally, by not identifying the transactions and the cause of the error(s), TSG or Gov One are unable to identify the corrections that need to be made to either ITS or Gov One to allow for the processing or immediate rejection of the transaction. Further, stripping a single transaction or not processing a complete file creates a non-timing reconciling item in the reconciliation between the Gov One transactions, the receipts recorded in the lockbox account, and the amounts recorded in ITS.

### RECOMMENDATION:

3. The DCFO, OTR and the CIO jointly direct that TSG and RPA develop specific policies and procedures for the processing of stripped transactions and Gov One files. These policies and procedures should address how the stripped transactions or files are to be controlled and resolved. The stripped transaction or file should be placed in the ITS suspense account until the issue is resolved and the transaction corrected.

### Management Response (Recommendation 3)

Both OTR and OCIO concurred with the recommendation for the development of policies and procedures to track all lockbox files and transactions that have been either loaded or rejected by ITS. Both OTR and OCIO will work jointly with Wells Fargo to develop additional automated processes to augment the internal controls including: (1) online editing of payment data by the taxpayer on the Wells Fargo website; (2) comprehensive "end to end" summary and transaction level reporting for both the Wells Fargo and OCFO systems; and (3) integration of Wells Fargo exception functions with ITS payment validation functions to store and track rejected payments.

The policies procedures and automated processes described in the prior paragraph will be in place within six months of the implementation of the new lockbox processing system.

### OIO Comment

OTR and OCIO's planned actions are responsive to the recommendation. OTR and OCIO did not provide us with projected dates for the implementation of the new lockbox system and the implementation of the planned policies and procedures. OIO requests that OTR and the OCIO provide the projected dates of the implementation of the lockbox system and the policies and procedures by August 1, 2011.

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**Exhibit A: Summary of Potential Benefits from Audit**

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**Exhibit A: Summary of Potential Benefits from Audit**

| Recommendation Number | Deputy Chief Financial Officer, Tax and Revenue | Chief Information Officer | Description of Benefit   | Amount and Type of Benefit | Agency Reported Estimated Completion Date | Status <sup>7</sup> |
|-----------------------|---|---------------------------|--|----------------------------|---|---------------------|
| 1                     | X   |                           | Develop and implement policies and procedures for reconciliation of Gov One transactions | Internal Control           | To Be Determined                          | Open                |
| 2                     | X   |                           | Require the review and approval of all RPA adjustments and reconciliations.              | Internal Control           | To Be Determined                          | Open                |
| 3                     | X   | X                         | Develop policies and procedures to address and control unprocessed transactions.         | Internal Control           | To Be Determined                          | Open                |

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<sup>7</sup> This column provides the status of the recommendation as of the report date. For final reports “Open” means management and the OIO are in agreement on the action to be taken, but the action is not complete. “Closed” means that management advised that the action taken needed to correct the condition is complete. If a completion date was not provided the date of management’s response was used. “Unresolved” means that management has neither agreed to take the recommended action nor proposed satisfactory alternative actions to correct the condition.

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## Exhibit B: OTR and OCIO Agency Response

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GOVERNMENT OF THE DISTRICT OF COLUMBIA  
Office of the Chief Financial Officer



Office of Tax and Revenue  
Office of the Chief Information Officer

**MEMORANDUM**

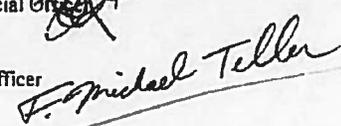
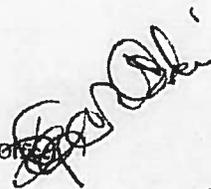
**TO:** William J. DiVello, Executive Director  
Office of Integrity and Oversight

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

F. Michael Teller, Chief Information Officer  
Office of the Chief Information Officer

**DATE:** June 28, 2011

**SUBJECT:** Draft Report on the Audit of the Process Used to Collect Tax Revenues through Gov One  
(Report No: OIO-10-1-1-OTR (b))



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The draft report dated April 25, 2011, requested written comments on the audit recommendations concerning the reconciliation and reporting of the tax receipts processed through Gov One. Below please find the joint response of the OTR and OCIO outlining actions taken or contemplated to provide response to the three recommendations. If there are any further concerns, please contact Stephen M. Cordi, Deputy Chief Financial Officer, OTR (202.442.6382) or Mike Teller, Chief Information Officer, OCIO (202.727.1906).

**Recommendation 1:**

Develop and implement policies and procedures that address the management, oversight and reconciliation of the OTR lockbox account, including the specific identification of reconciling items related to timing and non-timing differences.

**Response:**

The OTR will develop and implement policies and procedures that will enable management to track the lockbox account transactions. This tracking will identify specific items that required intervention by OTR to be processed and maintain a record of those transactions. These procedures will be published within six(6) months of implementation of the new system being installed under the recently signed OFT banking contract. All records will be retained for seven (7) years in the new banking system.

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## Exhibit B: OTR and OCIO Agency Response

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### Recommendation 2:

Require that RPA management review and approve all adjustments and reconciliations prior to forwarding the adjustments to RAA or the OFOS. Unusual entries or long outstanding entries (two months or more) should include explanation(s).

### Response:

The OTR will put in place procedures that will require review and approval by appropriate RPA management of all adjustments and reconciliations before they are sent forward. All entries that are not self explanatory on the face will require sufficient narrative to clarify the need for the adjustment. These procedures will be put in place within six(6) months of the implementation of the new system.

### Recommendation 3:

Direct RPA and TSG develop specific policies and procedures for the processing of stripped transactions and Gov One files. These policies and procedures should address how the stripped transactions or files are to be controlled and resolved. The stripped transaction or file should be placed in the ITS suspense account until the issue is resolved and the transaction corrected.

### Response:

The OCFO recently completed negotiations with Wells Fargo to provide OTR lockbox services. The contract replaces the current OTR lockbox services contract and includes electronic payment services provided currently by Gov One.

The OTR and OCIO are working together to develop policies and procedures to monitor and track all Wells Fargo lockbox files and the electronic payment data loaded or rejected ("stripped") by ITS. In addition, the OTR and OCIO will work jointly with Wells Fargo to develop the following automated processes to augment internal controls:

- 1) online editing of payment data entered by the taxpayer on the Wells Fargo website;
- 2) comprehensive "end to end" summary and transaction-level reporting, spanning the Wells Fargo and OCFO systems, to track the status of all payment postings;
- 3) integration of Wells Fargo exception functions with ITS payment validation functions to store and track rejected payment transactions until their resolution and subsequent posting to ITS.

These policies, procedures and automated processes will be implemented within six (6) months of the implementation of the new system.

cc: Lasana Mack, Deputy Chief Financial Officer, OFT  
Paul Lundquist, Executive Director, OMA  
Glen Groff, Director of Operations, OTR  
Clarice Wood, Associate Treasurer, OFT  
James Hightower, Director, OCIO