

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



**OFFICE OF INTEGRITY AND OVERSIGHT**

**FISCAL YEAR 2014 AUDIT  
AND INTEGRITY PLAN**

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



Office of Integrity and Oversight

**MEMORANDUM**

**TO:** Dr. Natwar M. Gandhi, Chief Financial Officer  
Office of the Chief Financial Officer

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

**DATE:** September 19, 2013

**SUBJECT:** OIO's Fiscal Year 2014 Audit and Integrity Plan

---

I am pleased to transmit the Office of Integrity and Oversight's (OIO) Fiscal Year 2014 *Audit and Integrity Plan* (Plan). This Plan has been prepared pursuant to the CFO's Financial Management and Control Order No. 01-002, and the "Office of the Chief Financial Officer Audit Report Transparency Act of 2013."

The Plan includes both ongoing and planned audits and integrity initiatives, and other regulatory audits for FY 2014. The majority of listed audits and integrity projects concentrate in three distinct high risk-areas operations and activities of: the Office of Tax and Revenue (OTR), the Office of Finance and Treasury (OFT), and the Lottery and Charitable Games Control Board (DCLB).

As part of our planning process, we met with, and listened to presentations of, the CFO's Deputy Chief Financial Officers (DCFOs) and the Chief Risk Officer (CRO); many of whose comments and suggestions are incorporated in the Plan. We believe the Plan's focus and concentration will produce beneficial results to enhance economy, efficiency and effectiveness of agency operations, and will also assure fiscal integrity and accountability within the OCFO and the District Government at large. We thank the DCFOs and the CRO for their participation and assistance in our planning process.

Should you have any questions or need additional information, please contact me at (202) 442-8240.

Attachment

cc: Angell Jacobs, Deputy Chief Financial Officer and Chief of Staff, OCFO  
Kathy Crader, Chief Risk Officer, OCFO  
David Tseng, General Counsel, OCFO  
Patricia Gracyalny, Assistant General Counsel, OCFO

## Table of Contents

<b>Abbreviations and Acronyms Used</b> .....	3
<b>Foreword</b> .....	4
<b>Introduction</b> .....	5
<b>The Audit Process</b> .....	6
<b>Additional Audit Related Products</b> .....	8
<b>Planned and Ongoing Audits and Integrity Activities Agency Index</b> .....	10
<b>Summary of Planned and Ongoing Audits – Fiscal Year 2014</b> .....	13
<b>FY 2014 Audit Plan</b> .....	14
Office of Tax and Revenue .....	15
Office of Finance and Treasury .....	21
Lottery and Charitable Games Control Board .....	23
District-Wide Related Audits and Engagements .....	25
<b>Non-Audit Services</b> .....	28
<b>FY 2014 Integrity Plan</b> .....	31
Investigations of Misconduct .....	32
Proactive Integrity Surveys .....	32
Background Investigations .....	33
Integrity Awareness Presentations .....	33
Confidential Hotline .....	34
Other Services .....	34

## **Abbreviations and Acronyms Used**

BIDs	Business Improvement Districts
CAFR	Comprehensive Annual Financial Report
CAMA	Computer Assisted Mass Appraisal
CFDA	Catalog of Federal Domestic Assistance
CFO	Chief Financial Officer
COTR	Contracting Officer's Technical Representative
DCFO	Deputy Chief Financial Officer
DCLB	Lottery and Charitable Games Control Board
District	Government of the District of Columbia
eTSC	Electronic Taxpayer Service Center
FAR	Fraud Alert Report
FTHBC	First Time Home Buyer's Credit
FY	Fiscal year
GAAP	Generally accepted accounting principles
GRAMS	Grants Reconciliation and Management System
IAD	Internal Audit Division
ITS	Integrated Tax System
ISD	Internal Security Division
MAR	Management Alert Report
MIR	Management Implication Report
M-ITS	Modernized Integrated Tax System
NPS	Non-Personal Services
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information 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
PILOTs	Payment in Lieu of Taxes
<i>Plan</i>	<i>Audit and Integrity Plan</i>
POC	Point of Contact
QA/IVV	Quality Assurance/Independent Validation and Verification
RPTA	Real Property Tax Administration
ROD	Recorder of Deeds
ROs	Revenue Officers
SEFA	Schedule of Expenditure of Federal Awards
SOAR	System of Accounting and Reporting
SOP	Standard Operating Procedure
TIFs	Tax Incremental Financings

## FOREWORD

This is the Office of Integrity and Oversight (OIO) Fiscal Year 2014 *Audit and Integrity Plan* (Plan), which includes ongoing and planned audits, integrity initiatives, and non-audit services. The ongoing and planned audits are designed to provide a reasonable assurance on the adequacy of established policies and procedures, economy and efficiency of operations, and internal controls (including remedial actions to satisfy prudent financial management) for agencies under the purview of the independent Office of the Chief Financial Officer (OCFO).

The Integrity Plan addresses investigations of misconduct, proactive integrity surveys, background investigations, integrity awareness presentations, the OCFO confidential hotline, and other internal security activities.

We believe that the OIO plan for FY 2014 is adequately focused and concentrated in high-risk areas, the results of which will enhance the integrity and reliability of the Government of the District of Columbia's (District's) financial management system. The OIO is a small agency with professional, technically skilled, and dedicated auditors and investigators to meet the challenges of assessing, monitoring and improving financial controls over the coming the years ahead.

I express special thanks to the Chief Financial Officer for his leadership, professionalism, and integrity. I also thank the Deputy Chief Financial Officers (DCFOs), the Chief Risk Officer, all Associate Chief Financial Officers, and Agency Fiscal Officers for their confidence and support of OIO. Finally, I recognize with deep appreciation the professional work of OIO's entire staff (audit, security and administrative) and thank them for their continued dedication to the tasks and challenges that lie ahead within the OCFO and the District government at large.

Mohamad K. Yusuff  
Interim Executive Director

## INTRODUCTION

OIO is pleased to present its FY 2014 *Plan*. The *Plan* includes descriptions of planned audits, investigations of misconduct, proactive integrity surveys, and integrity awareness presentations to be conducted during the coming fiscal year. We selected these projects based on risk assessments of programs and issues; input from the OCFO executive staff, agency officials, and other stakeholders.

The Plan incorporates OIO initiatives focused in areas of potentially high risks the objectives of which are to assure the District's fiscal integrity and reliability of financial operations. In assessing these risks, our audit plan has been designed around strategic segments/agencies within the OCFO. These segments/agencies are:

- I. Office of Tax and Revenue (OTR)
- II. Office of Finance and Treasury (OFT)
- III. Lottery and Charitable Games Control Board (DCLB)
- IV. OCFO/District-Wide Related Audits and Engagements

OIO designed the *Plan* to address non-audit services, investigations of misconduct, proactive integrity surveys, background investigations, integrity awareness presentations, the OCFO confidential hotline, and other internal security activities.

The list of a particular audit in the FY 2014 *Plan* does not necessarily mean that problems exist or guarantee that an audit will be undertaken. During the year it is not possible to plan for all of the potential audits that OIO may be requested to perform. For example, the Internal Security Division (ISD) may request that the Internal Audit Division (IAD) conduct testing in support of a specific investigation they are conducting. The CFO or any of the DCFOs may request an audit be done of an area under their responsibility. Additionally, OIO may receive a request from the City Council, or others, to conduct audits in a specific area of government operations.

To accommodate the special requests and other issues, OIO may find it necessary to delay or suspend an audit until the resources are available to start or recommence a project. Should OIO consider the modifications to the plan to be significant, we will modify the *Plan* to reflect the additional requests and changed priorities.

In the section titled "**FY 2014 Audit Plan**", we have provided a brief outline of the planned audit objectives and a justification for each of the projects selected. We have categorized the audits by strategic segments or agencies. These segments and agencies are not mutually exclusive of other segments or agencies. However, OIO includes the audit project as part of the segment or agency where it anticipates focusing the majority of its activities.

## **THE AUDIT PROCESS**

OIO's audit process includes several integrated steps that assist us in accomplishing our objectives. These include the announcement of the audit (engagement memorandum), an entrance conference, an audit survey and fieldwork stage, an exit conference with the segment or agency officials impacted by the audit results, a reporting process, a resolution process, and audit follow-up process. We provided a brief explanation of each of these processes in the following paragraphs.

### **Engagement Memorandum**

Prior to the start of an audit, OIO generally sends an engagement memorandum to the segment or agency head(s) involved with the project. The memorandum includes the audit title, a project number, an outline of the planned objectives, the period covered by the audit, and the planned starting date. Additionally, the memorandum also explains that OIO will hold an entrance conference to provide the appropriate OCFO managers with information about the audit. In some instances, OIO will not send an engagement memorandum. This is done when the audit is on a surprise basis. In those instances, we will send an engagement memorandum to the impacted OCFO officials after the start of the audit.

### **Entrance Conference**

As the title implies, OIO holds an entrance conference with the OCFO senior managers, whose operations will be audited. At the entrance conference, the auditors will provide detailed explanations of the audit planned objectives, the period of time that will be covered by the audit, the audit methodologies that we may use, and the formal reporting process. If the segment or agency management requested the audit, we discuss management's specific areas of interest or problems they have noted. During this meeting OIO encourages the segment and agency officials to bring to the audit team's attention any concerns, ideas, or special circumstances that may impact the audit. Also, we request that the segment or agency provide us with an official point of contact for the audit (POC). The POC is the individual that OIO will: (1) contact to request audit documentation, to arrange interviews and meetings with segment or agency officials and staff, and (2) to provide briefings on the progress of the audit, findings requiring immediate attention, and other issues that need management's attention.

### **Survey and Fieldwork**

The audit begins with a survey of the program, activity or function that is the subject of the audit. We perform some initial testing, determined by the audit objectives, to discern any areas that we need to focus our audit efforts. Subsequent to the completion of the survey work, we will determine whether a sufficient basis for additional work exists. If such a determination is made, OIO continues its fieldwork focusing on the areas that we determined warrant the additional testing. The bulk of the audit's fieldwork is performed in this phase. We may request additional and more extensive records and documents from the segment or agency. During this execution phase, we perform detailed examinations and testing, based on our objectives, to determine

whether (1) the program, activity, or function is operating efficiently and effectively; (2) the internal controls are functioning as intended; and (3) that the segment or agency is compliant with the applicable laws and regulations. In this phase, the auditors will develop their findings, recommendations, and audit results that form the basis for the written audit report.

The survey and execution phases require the cooperation of the OCFO officials and staff. The auditors may need OCFO officials and staff to: answer questions; provide us with access to records, documentation, and files; and to prepare data (spreadsheets, flowcharts, documents). OIO will keep in mind that the officials and staff of the OCFO segments and agencies need to carry out their regular functions and workload. OIO auditors will conduct its work in a mutually agreed way that will cause minimal disruption to the agency operations.

### **Keeping OCFO Officials Informed**

During the audit, OIO will keep the segment or agency officials advised of any deficiencies or weaknesses we identify. OIO will, through the POC, keep the officials informed of the progress of the audit, and any issues that require the officials' immediate attention. Officials of the OCFO segment or agencies can expect the following types of formal communication during the audit:

***Audit Memoranda.*** As the audit progresses, we may provide the segment or agency head with interim audit findings and recommendations [for example a Management Alert Report (MAR)] to inform the segment or agency head of matters requiring immediate attention or action and to obtain informal comments regarding the accuracy or completeness of the findings.

The use of the *Audit Memoranda* serves three distinct purposes:

1. Provides the segment or agency the opportunity to voice concerns about the findings or recommendations and provide additional documentation and information to support its position;
2. Reduces the misunderstandings and inaccuracies between the auditors and the segment or agency officials; and
3. Allows the OCFO segment or agency to initiate corrective action on the weaknesses and deficiencies as they are identified.

***Audit Exit Conference.*** After all the audit work is completed, OIO conducts a formal exit conference with the segment or agency officials. At the exit conference we summarize the issues, and findings previously provided to the officials through the segment or agency POC, and any additional findings and recommendations we may have subsequently developed. We provide the segment or agency officials with the opportunity to discuss the corrective actions necessary to initiate the recommendations and resolve the findings. This is done with the audit team present at the exit conference. We will encourage the segment or agency to take immediate action, if possible, on the recommendations. OIO will include the substantiated actions taken on the recommendations in the draft and final audit report.

***Draft Audit Report.*** Following the exit conference, OIO will prepare a draft audit report which includes any comments or concerns raised at the exit conference by the segment or agency offi-

cial. OIO sends the draft report to the segment or agency head responsible for implementation of the recommendations. Usually, we request that the segment or agency official to whom the draft report is addressed provide us with a written response to the draft document within 10 business days from the date of the draft report. OIO requests that the response to the draft report's recommendations include: the actions taken or planned by the segment or agency, the projected dates for completion of any uncompleted actions. And, when appropriate, alternative can be proposed by the agency.

***Final Report.*** After receipt of the segment or agency's written response, OIO will analyze the response and consider the impact of any alternative solutions presented by the segment or agency. OIO will summarize the response to the individual recommendations in the body of the report. The segment or agency's full response is included as an appendix to the report. The report is distributed to the CFO, the DCFO/Chief of Staff, Chief Risk Officer, and the segment or agency head, to whom the recommendations are addressed. OIO's final reports are also published on the CFO's website.

***Resolution Process.*** In the event of a disagreement with the segment or agency officials, OIO will make every reasonable effort to resolve the disagreement prior to issuing the final audit report. If an agreement is not attainable, the final report will be issued, indicating the segment or agency's disagreement. The segment or agency will be given an opportunity to reconsider its position and provide an additional response to OIO. If the additional response indicates a continuing disagreement, with the report's position, the issue will be forwarded to the District's CFO for resolution.

***Audit Follow-up.*** The segment and agency officials are responsible for taking the corrective actions that they have agreed to in their responses to individual audit reports. OIO monitors progress in the implementation of the audit recommendations and related corrective actions. Periodically, OIO will conduct follow-up audits to verify that the agreed upon corrective actions have been taken and the recommendations implemented and effective in correcting the cause of the finding in the report.

## **ADDITIONAL AUDIT RELATED PRODUCTS**

In addition to the draft and final audit reports prepared by OIO, we have instituted several special purpose audit products that can be issued in conjunction with an audit or as a stand-alone document. The special purpose products that we may use include the:

- Management Alert Report (MAR)
- Management Implication Report (MIR)
- Fraud Alert Report (FAR)

OIO issues a MAR to the head of an OCFO segment or agency to identify a systemic problem that can and should be addressed during the course of an audit or investigation. Additionally, the MAR can be used as a quick reaction report to advise the segment or agency management that significant and time-sensitive action is needed on an issue identified in an audit or investigation.

MIRs are reports issued at the completion of an audit or proactive integrity survey that alerts all OCFO segments and agencies to a potential problem that may be occurring in their segment or agency. OIO describes the problem or issue and includes a recommendation for corrective action.

FARs advises all segments and agencies of potentially or actual fraudulent schemes identified in OCFO segments or agencies. Many of these schemes are uncovered during the course of a criminal investigation. This report advises all OCFO segments and agencies to be alert to the scheme occurring within their segment or agency. This report is most commonly issued by the OIO's ISD, and may be issued by IAD in conjunction with ISD.

**PLANNED AND ON-GOING AUDITS AND INTEGRITY ACTIVITIES  
AGENCY INDEX**

Title	Page Number	Status <sup>1</sup> as of Oct. 1, 2013
<b><u>FY 2014 Audit Plan</u></b>		
<b>Office of Tax and Revenue (OTR)</b>		
1. Audit of the Transfer of Dedicated Tax Revenues	15	P
2. Compliance Audit of OTR's Tax Sale Lien Process	15	P
3. Audit of SOAR Manual Refunds	15	P
4. Audit of the Compliance Administration's Examination of Excise Taxes	16	P
5. Audit of Access Controls in ITS for Taxpayer Accounts	16	P
6. Audit of the Electronic Taxpayer Service Center (eTSC) <i>[Contracted Services requiring budgetary funding authority]</i>	17	P
7. Audit of Suspended Payments	17	P
8. Follow-up Audit of Prior Years Audit Recommendations at the Office of Tax and Revenue (OTR) [Job No. 12-02-13-OTR]	18	O
9. Audit of Delayed Refund Interest Cost [Job No. 12-02-14-OTR]	18	O*
10. Audit of the Internal Controls Over the Office of Recorder of Deeds (ROD) Examination Unit [Job No. 13-01-14-OTR]	18	O
11. Audit of the Changes in Real Property Use and Class Codes by the Real Property Tax Administration [Job No. 13-01-05-OTR]	19	O*
12. Audit of Schedule I Adjustments [Job No. 13-01-17-OTR]	19	O
<b>Office of Finance and Treasury (OFT)</b>		
13. Audit of the Cash Collection Process at non-OCFO Agencies Providing Services to the Public	21	P
14. Audit of the OFT's Application System Access Management	21	P
15. Audit of OFT's Cashiering Operations at Various Sites and the Related Internal Controls	21	P
16. Audit of OFT's Banking Services Operations	22	P
17. Audit of Internal Controls over OFT's Pension Fund Operations [Job No. 13-01-08-OFT]	22	O
18. Audit of Dishonored Checks Processing at the OFT and the OTR [Job No. 12-02-10-OFT]	22	O*

<sup>1</sup> O – Designates the audit is in progress as of October 1, 2013. P – Designates a new project to start during FY 2014.

\* Indicates Draft Report issued and awaiting agency response.

Title	Page Number	Status <sup>2</sup> as of Oct. 1, 2013
<b>Lottery and Charitable Games Control Board (DCLB)</b>		
19. Audit of the Cash Handling Process at DCLB Events	23	P
20. Audit of the Gaming “Back Office” System of Internal Control	23	P
21. Audit of the District of Columbia Lottery Board Licensing Department	23	P
<b>OCFO/District –Wide Audits and Engagements</b>		
22. Reconciliation and Confirmation of the FY 2013 Schedule of Expenditures of Federal Awards (SEFA) for the District’s FY 2013 Single Audit	25	P
23. Follow-up Procedures on Prior Audit Findings and Management Corrective Action Plans Relating to FY 2013 Single Audit	25	P
24. Audit of the Inmate Welfare Fund Financial Statements for the Fiscal Year Ended September 30, 2013	26	P
25. Audit of the District Agencies’ Internal Controls over Recording Accrued Non-Personal Services Expenditures	26	P
26. Follow-up Procedures of the Independent Auditor’s Report on Internal Control over Financial Reporting and the Comprehensive Annual Financial Report (CAFR) Management Letter [Job No. 13-03-10-OFOS]	27	O

<sup>2</sup> O – Designates the audit is in progress as of October 1, 2013. P – Designates a new project to start during FY 2014.

Title	Contract Information	Page Number
<b>Non-Audit Services</b>		
COTRship and Management of the Quality Assurance/Independent Validation and Verification (QA/IVV) Contract for the System of Accounting And Reporting (SOAR) Replacement Project	BCA Associates CFOPD-11-C-034	29
COTRship and Management of the District-Wide FY 2013 Single Audit Contract	KPMG, LLP CFOPD-11-C-026	29
COTRship and Management of the Background Investigation Contract	InQuiries, Inc CFOPD-11-C-047	30
<b>Integrity Plan</b>		
Investigations of Misconduct		32
Proactive Integrity Surveys		32
Background Investigations		33
Integrity Awareness Training		33
OCFO Confidential Hotline		34
Other Services		34

**Summary of Planned and Ongoing Audits  
Fiscal Year 2014**

Segment/Agency	Ongoing as of Oct. 1, 2013	FY 2014 Projects Mandatory	High Risk	Total
Office of Tax and Revenue	5	0	7	12
Office of Finance and Treasury	2	0	4	6
Lottery and Charitable Games Control Board	0	0	3	3
OCFO/District-Wide	1	2	2	5
<b>Total</b>	<b>8</b>	<b>2</b>	<b>16</b>	<b>26</b>

**Note:** Mandatory Audits are required by statute or regulation.

# **FY 2014 Audit Plan**

## **Office of Tax and Revenue (OTR)**

### **No. 1 (OTR)**

**STATUS: Start FY 2014**

- TITLE:** Audit of the Transfer of Dedicated Tax Revenues
- OBJECTIVES:** The objectives of the audit are to determine if transfers: (1) are made in accordance with regulations; and (2) are proper, accurate, and timely.
- JUSTIFICATION:** OTR is responsible for the collection and transfer of tax revenues for several different programs in the District which includes, but is not limited to: Business Improvement Districts (BIDs) Tax Incremental Financing (TIFs), Payments In Lieu of Taxes (PILOTs), and the Bag Tax. These transfers may be taken from both real property and other tax revenues. OTR is responsible for determining the amount to be transferred and then transferring it to the appropriate organization. The value of the transfers of these revenues is significant to the District and the organizations involved.
- 

### **No. 2 (OTR)**

**STATUS: Start FY 2014**

- TITLE:** Compliance Audit of OTR's Tax Sale Lien Process
- OBJECTIVES:** The overall audit objectives are to determine whether the tax sale process used by OTR is equitable and transparent, for both OTR and the taxpayers, and in compliance with the applicable laws and regulations.
- JUSTIFICATION:** A recent series of articles in the Washington Post addressed the tax lien sale process and identified issues and potential weaknesses within the current system. Various D.C. Council members have proposed legislative measures to correct some of the weaknesses within the system
- 

### **No. 3 (OTR)**

**STATUS: Start FY 2014**

- TITLE:** Audit of SOAR Manual Refunds
- OBJECTIVES:** The objectives of the audit are to: (1) determine whether the System of Accounting and Reporting (SOAR) manual refunds are done in accordance with policies and procedures; and (2) determine whether the refunds are proper.
- JUSTIFICATION:** OTR issues manual refunds, through SOAR, to taxpayers as the Integrated Tax System (ITS) is unable to generate automated refunds for
-

tax types that are not included in ITS. Due to the nature of this type of transaction, OIO audits the process to ensure that the refunds are proper and adequately supported.

---

**No. 4 (OTR)**

**STATUS: Start FY 2014**

**TITLE:** Audit of the Compliance Administration's Examination of Excise Taxes

**OBJECTIVES:** The objectives of this audit are to: (1) determine whether the Audit Division has a system of controls that reviews Excise Tax returns on a periodic basis; (2) verify that the returns for examinations are selected on the basis of risk, for the type of return and individual taxpayer, and that the Audit Division examines a representative sample of each tax return type; and (3) verify, on a sample basis, that the auditor's work papers support the conclusions of the audit report.

**JUSTIFICATION:** Excise taxes include several different tax types that have widely varying requirements for their imposition and collection. Additionally, with the exception of the Motor Fuels Sales Tax returns, they are not included in ITS and require both manual review and processing. These taxes include the estate tax, cigarette and tobacco tax, gross receipts tax, toll telecommunications, and the motor fuels sales tax. Many of these returns rely on self-reported income and could significantly understate the liability to OTR.

---

**No. 5 (OTR)**

**STATUS: Start FY 2014**

**TITLE:** Audit of Access Controls in ITS for Taxpayer Accounts

**OBJECTIVES:** The objectives of the audit are to: (1) verify that controls are in place to identify individuals accessing taxpayer accounts; (2) determine whether managers use reports related to employee access of accounts; (3) determine whether OTR management takes and documents the actions taken for improper access to ITS and individual taxpayer accounts by OCFO staff.

**JUSTIFICATION:** ITS is an OCFO mission critical system that contains personally identifiable information and sensitive data such as taxpayer names, addresses, filing relationships, Federal and District taxable incomes. Due to the levels of sensitivity for the data, controls need to be in place that assures OCFO employees while having sufficient access to perform their jobs do not have uncontrolled access to taxpayer data. This audit will be designed to ensure that OTR has functional controls in place to

---

ensure that employee access controls both limit access to taxpayer data and generate reports that can identify potentially inappropriate access.

---

**No. 6 (OTR)**

**STATUS: Start FY 2014**

**This planned audit requires external contractual assistance  
and Budgetary Funding Authority**

**TITLE:** Audit of the Electronic Taxpayer Service Center (eTSC)

**OBJECTIVES:** The audit objectives are to: (1) verify that procedures and processes are in place to properly process transactions; (2) determine that all transactions received are properly handled and posted to taxpayer accounts; and (3) ensure that the procedures and processes are in place to safeguard taxpayer data from inappropriate access and disclosure.

**JUSTIFICATION:** OCFO maintains a publically facing and accessible web page that provides business with access to eTSC. eTSC provides a portal which allows taxpayers to access applications to file electronic returns for non-real property taxes and make electronic payments, if required, with those returns. This audit will review the controls for eTSC for the safeguarding of data, protection of taxpayer data and returns from unauthorized access and disclosure, and that the general application and systems controls meet the minimum acceptable requirements for information systems.

---

**No. 7 (OTR)**

**STATUS: Start FY 2014**

**TITLE:** Audit of Suspended Payments

**OBJECTIVES:** The overall objective of the audit is to verify that suspended payments are accurately posted to taxpayer accounts and processed timely.

**JUSTIFICATION:** OTR sends bills to taxpayers to collect outstanding liabilities. The taxpayers can mail their payments to a designated P.O. Box, pay at the OFT cashiers' office, or walk in payments to the ROs. Payments are received for the payment of accounts receivable are processed through the Payment Perfection Unit. However, when the account to which the payment cannot be determine it is placed in suspense.

---

**No. 8 (OTR)**

**STATUS: Ongoing**

**TITLE:** Follow-up Audit of Prior Years' Audit Recommendations at the Office of Tax and Revenue (OTR) [Job No. 12-02-13-OTR]

**OBJECTIVES:** Determine the action taken by OTR on outstanding recommendations from prior years' audit reports.

**JUSTIFICATION:** In order for the organization to obtain the maximum benefits from the audit it should implement the recommendations it has agreed to or proposed alternative corrective actions that were agreed to by OIO. This audit provides OCFO management with an update on the implementation status of the agreed upon recommendations.

---

**No. 9 (OTR)**

**STATUS: Ongoing**

**TITLE:** Audit of Delayed Refund Interest Cost [Job No. 12-02-14-OTR]

**OBJECTIVES:** The objectives of the audit are to: (1) verify that the system of internal controls over the issuance of tax refunds assures timely processing of the refunds and safeguards the District's revenues; and (2) determine whether OTR uses best practices to identify and resolve issues surrounding the delays in processing refunds.

**JUSTIFICATION:** Our audit of the Customer Service Administration adjustments revealed a large number of refunds that included interest for refunds held more than 91 or 181 days (depending on the tax type). The statutory interest rate, during the audit period, was approximately six times the amount available in the commercial environment. As a result, interest costs are a significant amount of the District's operating costs. Improvements in the identification and processing of refunds could result in savings within both the OTR operating budget and the District's operating budget.

---

**No. 10 (OTR)**

**STATUS: Ongoing**

**TITLE:** Audit of the Internal Controls over the Office of the Recorder of Deeds (ROD) Examination Unit [Job No. 13-01-14-OTR]

**OBJECTIVES:** The objectives of the audit are to: (1) determine whether ROD complies with applicable laws, regulations, internal policies and procedures; (2) determine whether ROD has adequate internal controls to safeguard assets from waste, fraud, and abuse; (3) verify that the systems of internal control are in place to assure that transactions are processed timely and accurately; (4) and determine whether ROD has updated policies and procedures in place for current operations; and (5)

---

verify that ROD makes timely submissions of payments for fees and charges to the OFT cashiers.

**JUSTIFICATION:** The ROD is located within the OTR's Real Property Tax Administration (RPTA). ROD is responsible for the collection and recording of deed recordation fees, transfer taxes, as well as collection of taxes for the filing of various official documents.

---

**No. 11 (OTR)**

**STATUS: Ongoing**

**TITLE:** Audit of the Changes in Real Property Use and Class Codes by the Real Property Tax Administration (RPTA) [Job No. 13-01-05-OTR]

**OBJECTIVES:** The audit's objectives are to: (1) obtain an overall understanding of the use and class code systems employed by RPTA and the impact on the real property's value and tax billing; (2) determine whether RPTA maintains a functional system of internal controls to ensure that all user class code changes are appropriately reviewed and approved timely and updated in the computer assisted mass appraisal (CAMA) system; and (3) verify on a test basis, that the user and class changes recorded in CAMA are supported by appropriate documentation.

**JUSTIFICATION:** The accuracy of user and class codes potentially impacts the values of the assessed properties and that the tax rate is applied to those properties. Inaccurate use and class codes can adversely impact the amount of real property that OTR can bill and collect.

During an October 2012 D.C. Council hearing, a number of property owners voiced their concerns over the incorrect application of the vacant and blighted use class to properties that they owned or were located in their neighborhood. The property owners voiced their displeasure over the amount of time that it has taken to rectify the incorrect use/class code and that the property owners are often responsible for the higher tax payments while the issue is in the resolutions process.

---

**No. 12 (OTR)**

**STATUS: Ongoing**

**TITLE:** Audit of Schedule I Adjustments [Job No. 13-01-17-OTR]

**OBJECTIVES:** The overall objective of this audit is to determine whether OTR is effectively validating the adjustments to the taxpayers' Federal Adjusted Gross Income for adjustments claimed on the D.C. Schedule I.

---

**JUSTIFICATION:**

D.C. Code provides taxpayers with the opportunity to adjust their D.C. taxable income for various adjustments included on Schedule I of the D.C. Form D-40. In some cases, these credits require that the taxpayer obtain a certification from a District agency, as to the services performed by the taxpayer. Some of the credits that can be claimed through the Schedule I include: D.C. College Savings Plan, expenditures by D.C. Public Schools teachers for school supplies and tuition and fees, credit for school loan repayments up to \$120,000 by medical doctors, and credits for loan repayments for lawyers who function as poverty law lawyers.

The process of validating these credits with the appropriate District agency may provide additional tax revenues as the adjustments may not be valid.

---

## **Office of Finance and Treasury (OFT)**

### **No. 13 (OFT)**

**STATUS: Start FY 2014**

- TITLE:** Audit of the Cash Collections Process at Non-OCFO Agencies Providing Services to the Public.
- OBJECTIVES:** The objective of the audit are to: (1) determine whether all non-CFO Agencies handling cash have been identified by OFT; and (2) determine the adequacy of internal controls at the existing non-OCFO cash collection sites.
- JUSTIFICATION:** OIO has been alerted of the existence of some non-OCFO agencies that collect cash without adequate internal controls. This audit will also help OFT identify all non-OCFO agencies that collect cash for services provided to the public.
- 

### **No. 14 (OFT)**

**STATUS: Start FY 2014**

- TITLE:** Audit of the OFT's Application System Access Management
- OBJECTIVES:** The objective of the audit is to determine whether the internal controls over the identity access management process have been adequately designed and operating effectively.
- JUSTIFICATION:** Untimely removal of terminated personnel's access to OFT's applications systems (e.g., iNovah) would pose a major internal control risk for the District. Similarly, delays in granting access to OFT's application systems for new hires would cause them to be unproductive/ineffective in their job assignments.
- 

### **No. 15 (OFT)**

**STATUS: Start FY 2014**

- TITLE:** Audit (Unannounced) of OFT's Cashiering Operations at Various Sites and Related Internal Controls
- OBJECTIVES:** The overall objective is to determine the effectiveness of internal control policies and procedures over the cashiering operations at various sites.
- JUSTIFICATION:** This audit will provide reasonable assurance that proper internal control policies and procedures are in place to prevent and detect misappropriation of the District's funds. These audits were specifically requested by the CFO.
-

**No. 16 (OFT)**

**STATUS: Start FY 2014**

**TITLE:** Audit of OFT's Banking Services Operations

**OBJECTIVES:** The objectives of the audit are to: (1) determine whether all stand alone bank accounts are properly authorized by OFT; (2) determine the adequacy of internal controls to ensure the safeguarding of District funds; and (3) assess agency/component units' compliance with applicable policies, procedures, and applicable regulations.

**JUSTIFICATION:** CFO Control Order No. 01-001, issued August 2002, requires that OIO conduct periodic reviews of stand-alone bank accounts. In addition, this audit will assess OFT's compliance with other statutes such as the "Financial Institution Deposit and Investments Amendment Act of 1997."

---

**No. 17 (OFT)**

**STATUS: Ongoing**

**TITLE:** Audit of Internal Controls over OFT Pension Fund Operations  
[Job No. 13-01-08-OFT]

**OBJECTIVES:** The objectives of this audit are to: (1) determine OFT compliance with applicable laws and regulations, policies, and procedures governing the Districts pension plans; and (2) determine the sufficiency of the system of internal controls.

**JUSTIFICATION:** This audit is undertaken to ensure that OFT is managing the Pension Fund Operations efficiently and effectively.

---

**No. 18 (OFT)**

**STATUS: Ongoing**

**TITLE:** Audit of Dishonored Checks Processing at the OFT and the OTR  
[Job No. 12-02-10-OFT]

**OBJECTIVES:** The objectives of this audit are to: (1) assess the effectiveness of policies and procedures related to check verification and handling of dishonored checks; and (2) determine the adequacy of internal controls over the check verification and collection process.

**JUSTIFICATION:** This audit is a follow-up of a previous audit on dishonored checks performed in FY 2007. Also, during the audit on wire transfers a large number of dishonored checks were noted on the bank statements reviewed.

---

## **Lottery and Charitable Games Control Board (DCLB)**

### **No. 19 (DCLB)**

**STATUS: Start FY 2014**

- TITLE:** Audit of the Cash Handling Process at DCLB Events
- OBJECTIVES:** Determine whether the new applicable DCLB policies and procedures are adequately designed and effectively and efficiently implemented.
- JUSTIFICATION:** The main purpose of this audit is to verify the effectiveness of internal controls and DCLB's revised policies and procedures over cash handling activities from various promotional events.
- 

### **No. 20 (DCLB)**

**STATUS: Start FY 2014**

- TITLE:** Audit of the Gaming "Back Office" System of Internal Controls
- OBJECTIVES:** Conduct an assessment of the effectiveness and efficiency of the gaming "Back Office" system of internal controls.
- JUSTIFICATION:** The gaming system includes a "Back Office" application module. This system application has features that are designed to be more efficient, more user-friendly, have better data query and analytical capabilities. Accordingly, the application required the DCLB to change some of its financial and accounting processes to adapt to the system.
- 

### **No. 21 (DCLB)**

**STATUS: Start FY 2014**

- TITLE:** Audit of the District of Columbia Lottery Board Licensing Department
- OBJECTIVES:** Determine the status of the resolution of issues with the licensing of retailers relating to compliance with the District's applicable laws and regulations and the DCLB policies and procedures.
- JUSTIFICATION:** The DCLB Licensing Department is responsible for licensing retailers to sell Lottery products and non-profit organizations to conduct charitable games; provides guidelines for the operating games in accordance with the D.C. Lottery Board statute and rules; monitors and inspects charitable games events to assure compliance with statute rules; develops and maintains effective outreach programs to increase the number of charitable organizations awareness of the statutory requirements of licensed gaming as a fund raising tool. Non-compliance with licensing regulations could result in the loss of revenues from fees and
-

increased potential financial liability from non-compliance with District laws and regulations.

---

## **OCFO/District-Wide Audits and Engagements**

### **No. 22 (OCFO/District-Wide)**

**STATUS: Start FY 2014**

**TITLE:** Reconciliation and Confirmation of the FY 2013 Schedule of Expenditures of Federal Awards(SEFA) for the District's FY 13 Single Audit

**OBJECTIVES:** The objectives of this project are to: (1) prepare the FY 13 Schedule of Expenditures of Federal Awards (SEFA) for submission to the external auditors in accordance with the process outlined in the Standard Operating Procedure (SOP) for SEFA Preparation; (2) prepare the Summary Schedule of Prior Audit Findings and Management Corrective Action Plan for submission to the external auditors; (3) follow-up on single audit issues, including alerting agencies on the consequences for not providing the requested documentation to the external auditors; (4) follow-up on Cognizant Federal Agency and other Federal Grantor Agencies communications on the Single Audit findings; and (5) prepare for the Single Audit reporting phase close-out, including submission of the Federal Form – SF-SAC to the Federal Audit Clearinghouse.

**JUSTIFICATION:** OIO is responsible for performing the coordination of the FY 2013 Single Audit project. Our charter for this project is outlined in the Charter for the Single Audit Oversight Committee. Historically, the District received Federal grants in the amount of \$3.3 billion in FY 2012, and \$3.5 billion in FY 2011. Also, the Single Audit report included approximately \$13 million and \$2 million in questioned costs for FY 2012 and FY 2011, respectively.

---

### **No. 23 (OCFO/District-Wide)**

**STATUS: Start FY 2014**

**TITLE:** Follow-Up Procedures on Prior Audit Findings and Management Corrective Action Plans Relating to FY 13 Single Audit

**OBJECTIVES:** The overall objective is to determine the status of recommendations detailed in the audit report requiring management actions to correct reported deficiencies. In select cases, agencies will be evaluated to determine: (1) the progress in addressing the findings and recommendations reported in the external auditor's report; (2) whether findings have been satisfactorily resolved through prompt and appropriate corrective actions, or are still outstanding; and (3) whether reasons for delay or disagreement in implementing the recommendations are justified.

**JUSTIFICATION:** This audit follow-up is needed to assist the District's agencies with: (1) improving grant management performance; (2) strengthening agency internal controls over grant funds; (3) ensuring compliance with Federal grants restrictions and stipulations; (4) reducing instances of questionable or disallowed costs in the future; and (5) as required for the subsequent year's single audit under OMB's Circular A-133.

---

**No. 24 (OCFO/District-Wide)**

**STATUS: Start FY 2014**

**TITLE:** Audit of the Inmate Welfare Fund Financial Statements for the Fiscal Year Ended September 30, 2013.

**OBJECTIVES:** The objectives of the audit are to: (1) express an opinion on the financial statements of the Fund; (2) determine whether expenditures/costs charged to the Fund were proper; (3) whether internal controls over Fund transactions and financial reporting were adequate; and (4) determine whether the Fund is administered in accordance with laws and regulations.

**JUSTIFICATION:** This audit is required pursuant to D.C. Code § 24-282. Section 24-282 (e) states, in pertinent part: The Fund shall be subject to annual audits scheduled by the Office of the Chief Financial Officer, which shall be submitted to the Council no later than February 1 of each year. The scope of audit shall include an examination of the Department's use of Fund profits, including stocking the commissaries, low bond releases, providing inmate clothing upon release, and funding transportation costs for the inmate after release. The audit reports shall be submitted to the Council and the Mayor.

---

**No. 25 (OCFO/District-Wide)**

**STATUS: Start FY-2014**

**TITLE:** Audit of the District Agencies' Internal Controls over Recording Accrued Non-Personal Service Expenditures

**OBJECTIVES:** The objectives of the audit are to determine: (1) whether the District agencies comply with the applicable laws and regulations regarding spending and recording Non-Personal Services (NPS) expenditures; and (2) whether effective internal controls are in place to ensure that the District agencies are complying with the requirements of the General Accepted Accounting Principles (GAAP) regarding recording accrued expenditures.

**JUSTIFICATION:** This audit was brought to OIO's attention by several offices, who indicated that a very high number of accruals, both in terms of transactions

---

and dollar values were made primarily in the last quarter of the fiscal year. These offices requested that we verify: (1) that effective internal controls for the accrual of non-personal services costs are in place; and (2) the accruals, on a sample basis, complied with GAAP.

---

**No. 26 (OCFO/District –Wide)**

**STATUS: Ongoing**

**TITLE:** Follow-Up Procedures on the Independent Auditor’s Report on Internal Control over Financial Reporting and the CAFR Management Letter  
[Job No. 13-03-10-OFOS]

**OBJECTIVES:** The objectives of this follow-up are to: (1) to monitor the agencies progress in addressing problems noted in the Management letter and Internal Control Compliance reports issued by the external auditors; (2) determine whether findings have been satisfactorily resolved or are still outstanding; (3) determine the agencies with the most significant compliance and internal control problems as stated in the report; and (4) perform test work to ensure that the agency is actually addressing those findings.

**JUSTIFICATION:** The Office of Financial Operations and Systems obtains corrective action plans from effected agencies to mitigate the weaknesses identified by external auditors. As the corrective actions are completed, the OFOS contacts OIO to perform testing of the actions taken to verify that the deficiency is properly remediated.

---

# **NON-AUDIT SERVICES**

## **Non-Audit Services**

**CONTRACT NO.:** CFOPD-11-C-034, BCA Associates

**TITLE:** COTRship and Management of the QA/IVV Contract for the SOAR Replacement Project

**OBJECTIVES:** Fulfill the functions of a Contracting Officer's Technical Representative (COTR) for the QA/IVV contract including: (1) monitor the contractors; (2) manage the administration of the contract; (3) assist in resolution of issues impacting the project and the contract; and (4) work with the contractor, SOAR Steering Committee, and other OCFO offices as necessary. This project does not produce a specific report for the oversight function. It is critical to the management of the contract.

**JUSTIFICATION:** Oracle's e-Business application software suite, will replace the District's legacy accounting and reporting system SOAR, is expected to "go live" on October 1, 2014. The QA/IVV contractor is responsible for the quality assurance and validation functions for the implementation of the application suite. They assist the OFOS staff and the application suite contractor with the process necessary to ensure that the "go live" date is met. OIO is responsible for the oversight of the QA/IVV contractor.

---

**CONTRACT NO.:** CFOPD-11-C-026, KPMG, LLP

**TITLE:** COTRship and Management of the District-Wide FY 2013 Single Audit Contract

**OBJECTIVES:** Fulfill the functions of the COTR for the Single Audit contract including: (1) monitoring the independent accountants conducting the audit; (2) assisting in resolution of the issues impacting the Single Audit with the contactors, Single Audit Committee, and the agencies who are recipients of the grant funding. This project does not produce a specific report for the oversight function. It is critical to the management of the contract.

**JUSTIFICATION:** The OCFO is responsible for the contracting of the required Single Audit of the District's Federal grant funds. OIO was tasked with the responsibility of acting as the COTR for this contract.

---

**CONTRACT NO.:** CFOPD-11-C-047, Inquiries, Inc.

**TITLE:** COTRship and Management of the Background Investigation Contract

**OBJECTIVES:** Fulfill the functions of the COTR for the Background Investigation contract including: (1) monitoring results of the information provided (2) reconciling investigations performed against investigations received; and (3) serves as a liaison to remedy issues that may arise.

**JUSTIFICATION:** The OCFO is responsible for conducting background checks on employees and contractors to determine suitability for employment. Due to the volume of investigations, an outside contractor is used facilitate the completion of background investigations.

# **FY 2014 Integrity Plan**

## **INTRODUCTION**

Integrity is a shared responsibility of all OCFO employees. The Office of Integrity and Oversight (OIO) assists OCFO management in maintaining employee honesty and integrity through audits and investigations. We also proactively seek to detect and deter corruption, fraud and serious weaknesses in internal control.

The Integrity Plan provides an overview of initiatives and tools we will utilize to protect the integrity of the OCFO in the detection and prevention of fraud and corruption. The initiatives and tools include investigations of misconduct; proactive integrity surveys; background investigations; integrity awareness presentations; the OCFO confidential hotline; and other services.

### ***Investigations of Misconduct***

Investigations will address allegations of misconduct by OCFO employees and contractors as well as external attempts to corrupt OCFO employees. In addition to referring investigative results for criminal or administrative action, we will alert OCFO management when, during an investigation significant systemic problems are uncovered that require a time sensitive action.

We will continue to cooperate and coordinate with the Office of the Inspector General and requisite federal law enforcement agencies in matters that affect the integrity of the OCFO, and participate in joint investigations, as requested.

Internal Security will work closely with Internal Audit and others on joint high priority integrity projects, to be completed during the fiscal year.

### ***Proactive Integrity Surveys***

One continuing priority for OIO is to be proactive in our efforts to prevent, detect and deter fraud, corruption, misconduct, and abuse. The proactive survey utilizes combined investigative and audit resources to target and timely address high risk integrity areas in the OCFO. Our priorities will continue to be the Office of Tax and Revenue, the Office of Finance and Treasury, and the D.C. Lottery.

Proactive integrity surveys are conducted to ensure that OCFO systems and personnel are performing as expected with honesty and integrity. The surveys are designed to focus on determining whether appropriate controls are in place and how they are functioning to ensure financial integrity and fiscal responsibility. There are several deliverables that may arise as a result of a survey: a referral to management for corrective action (such as a Management Implication Report or Management Alert), an audit referral, or referral for investigation of criminal or other misconduct.

### ***Background Investigations***

Background investigations are conducted on employees, interns, and contractors to safeguard the integrity and security of the OCFO. Background investigations provide OCFO management with sufficient information to determine the person's suitability for employment or retention with the OCFO.

Having substantially addressed a workload backlog that existed last fiscal year, we will focus on updating background investigations of incumbent OCFO employees who have not had a background investigation in the last five (5) years. Our focus will be on employees in designated high risk agencies and positions.

### ***Integrity Awareness Presentations***

Consistent with the principle that maintaining integrity is a shared responsibility, we conduct integrity awareness presentations to increase employee recognition of integrity matters, to develop a better understanding of the role of OIO, and to foster active participation of employees in maintaining the integrity of the OCFO through fraud awareness.

We will continue to initiate measures to maximize the use of OIO and other OCFO resources in order to meet this shared responsibility in an effective and efficient manner.

#### *Annual Employee Integrity Awareness Presentations*

This is a mandatory annual presentation based on the Code of Conduct and the Shared Ethical Values of the OCFO. In addition to being a refresher, the presentation will include relevant topics as identified by OCFO management and OIO. We will solicit topics for these presentations from key stakeholders, including the Ethics Officer (Office of the General Counsel), the Office of Management and Administration, and the Chief Risk Officer.

#### *New Employee Integrity Awareness Presentations*

All newly hired OCFO employees are required to attend these presentations, which are scheduled quarterly and focus on the Code of Conduct and the Shared Ethical Values. We will emphasize the employee's obligation to report misconduct and suspicious activity, and will address the roles of OIO and the Ethics Officer.

***OCFO Confidential Hotline***

The hotline was established in 2009 as the result of a recommendation from the Wilmer Hale Report. Funding constraints prevented us from implementing a recommendation from OCFO consultant Deloitte concerning printing posters and wallet cards with the hotline number for distribution to employees. This fiscal year, we will request the requisite funding to implement the referenced recommendation and continue to work with the OCFO on the communications strategy to promote awareness of the OCFO confidential hotline.

***Other Services***

We will continue to represent the OCFO at the Mayor's Emergency Preparedness Council meetings, and perform other related activities, so that we can ensure that the CFO is informed of specific plans for responding to a variety of emergency situations and how the OCFO would be impacted.