

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



Office of Integrity and Oversight

MEMORANDUM

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

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

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

DATE: April 19, 2012

SUBJECT: Office of Tax and Revenue Filing Season Probe (OIO No. 11-02-04-OTR)

The Office of Integrity and Oversight (OIO) conducted a probe of the Office of Tax and Revenue (OTR) Returns Processing filing season operations to determine if controls over the returns processing operation were operating as designed to prevent the release of a fraudulent refund. This probe was conducted at the request of the Office of the Chief Risk Officer and is part of the OIO's continuous monitoring of OTR operations.

METHODOLOGY

To conduct this probe, OIO in coordination with the OTR Criminal Investigations Division, contacted the Social Security Administration (SSA) Special Investigations Unit to obtain authorized social security numbers specifically designed for this project. Using social security numbers obtained from the SSA, OIO created an individual income tax return (D-40) and a wage and earnings statement (W-2) we obtained from a free website. We filed the return using fictitious information to create a refund less than \$ [REDACTED]

RESULTS

The District of Columbia Individual Income tax return (D-40) was mailed on Monday, March 12, 2012. The return was received on March 13, 2012, processed by the lockbox, and posted to the Integrated Tax System (ITS) on March 20, 2012. Prior to posting to the ITS client profile, the return was sent to the suspense queue based on a math error (designed in the probe). After clearing the suspense queue, a refund of \$1,081 was correctly calculated.

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The refund was based on a claim for the DC Earned Income Tax Credit, a \$4,000 credit for the DC College Savings Plan, and withholding taxes. Additionally, the return also included a \$5,000 credit for the DC First Time Homebuyers program; however, this credit was denied, as was expected.

The calculated refund of \$1,081 did not automatically go to the taxpayer. Instead, a review item was created as the social security number used could not be found in the Enterprise Data Warehouse. On March 31, 2012, a letter was received at a selected District address for the fictitious taxpayer requesting written confirmation from the Social Security Administration to verify that the social security number used by the taxpayer is valid. (See Exhibit A). We found that the review criteria used by the system in this probe to be effective in preventing a fraudulent refund from being processed on an invalid Social Security number. However, we noted in the probe that the return was processed based on wages and withholding taxes claimed by a fictitious company, and fraudulently claimed credits that reduced the taxpayers tax liability were not denied by the system.

At the time of this report, the credit remains on the system. OIO will continue to monitor the credit to determine its final disposition. Additionally, we plan to perform periodic probes using varying filing scenarios to ensure that controls in place are working as designed and preventing fraudulent refund approval in other filing scenarios.

Upon your approval, we will brief the OTR Deputy CFO of our results. If you have any questions regarding this probe please contact me at 202-442-6445, or a member of your staff may contact Mohamad Yusuff at 442-8240 or Tisha N. Edwards, Audit Manager, at 442-6446.

cc: Angell Jacobs, Chief of Staff, Office of the Chief Financial Officer
Kathy Crader, Chief Risk Officer, Office of the Chief Risk Officer



Government of the District of Columbia
Office of the Chief Financial Officer
Office of Tax and Revenue

1101 4th Street, SW
Washington, D.C. 20024

REQUEST FOR ADDITIONAL INFORMATION

Date of Notice: 03/30/2012

[REDACTED]

Notice Number: [REDACTED]
SSN: XXX-XX-0529
Tax Type: INDIVIDUAL INCOME TAX
Form Type: D-40
Tax Period Ending 12/31/2011



We received your DC Individual Income Tax return; however, we require additional information before it can be processed.

We cannot verify that your Social Security number is valid:

- Please send written confirmation from the Social Security Administration verifying your Social Security number.
- A copy of a Social Security card is not sufficient.

In order for us to complete the processing of your return, you must provide the information requested.

Please return this notice with the requested information. You may mail the information to:
Office of Tax and Revenue
Customer Service Administration, Second Floor
1101 4th Street, S.W.
Washington, D.C. 20024

Please **DO NOT** send a copy of your return.

If you need assistance, please call us at (202) 727-4TAX (4829) or visit our office at:
1101 4th Street, SW, Second Floor; Washington, D.C. 20024
Monday through Friday except holidays from 8:15 a.m. to 5:30 p.m.