

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



Office of Integrity and Oversight

TO: Keith Richardson, Deputy Chief Financial Officer
Office of Tax and Revenue

FROM: Timothy Barry, Executive Director
Office of Integrity and Oversight 

DATE: September 19, 2019

SUBJECT: Final Report on the Audit of Internal Controls over the Returns Processing Administration (RPA) Suspense Unit (OIO No. 19-01-06 OTR)

This final report summarizes the results of the Office of the Chief Financial Officer (OCFO)'s Office of Integrity and Oversight (OIO)'s Audit of the Internal Controls over the Returns Processing Administration (RPA) Suspense Unit. The objectives of the audit were to determine whether: 1) internal controls over the correction of returns are adequate; and (2) corrections are completed timely and in accordance with policies and procedures.

Our office provided two (2) recommendations to address the deficiency identified. Based on your initial response, our office revised Recommendation 2 to adequately address the deficiency identified. The corrective actions presented were responsive and meet the intent of the recommendations. We have included your response in its entirety, at Exhibit B.

Should you have any questions related to the report, please contact me at (202) 442-6433; or Tisha Edwards, Director of Internal Audit, at (202) 442-6446.

Attachment

cc: Jeff DeWitt, Chief Financial Officer
Angell Jacobs, Deputy CFO and Chief of Staff, OCFO
Marshelle Richardson, Chief Risk Officer, OCRO
Eva Liggins, Director of Operations, OTR
Joseph Parran, Director Returns Processing Administration

Executive Summary

The Office of Integrity and Oversight (OIO) conducted an audit of the Office of Tax and Revenue (OTR) Returns Processing Administrations' Suspense Unit. The Suspense Unit has the overall responsibility to correct returns that suspend from normal processing within the Modernized Integrated Tax System (MITS) due to line errors or missing information. This audit was included in our OIO FY 2019 Audit Plan.

We found that the Suspense Unit's controls over error correction appear adequate as no errors were identified in our review of a sample of returns corrected by the Unit; however, written procedures are needed to provide employees with guidelines that specify the time required for Tax Technicians to complete error correction.

Objectives, Scope, and Methodology

The objectives of the audit were to determine whether: 1) internal controls over the correction of returns are adequate; and (2) corrections are completed timely and in accordance with policies and procedures. The audit covered fiscal years 2018 (April 1 to September 30) and 2019 (January 1 to March 31).

To accomplish our objectives, we reviewed the Suspense Unit's Policies and Procedures Manual and other pertinent documents. We met with and conducted interviews with the relevant OTR/RPA Staff to gain an understanding of the suspended returns correction process. We generated two reports in MITS of suspended return transactions corrected during the periods April 2018 to September 2018 (2018) during the manual assignment process and January to March 2019 (2019) during the automated assignment process, to analyze for timeliness of error correction. We also selected a sample of 60 suspended returns transactions from the FY 2018 report to determine whether they were accurately corrected. Additionally, we generated a report of suspended returns that were pending correction, as of June 6, 2019 to determine how long they were suspended.

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain enough, appropriate evidence to provide a reasonable basis for our

findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Finding

Formal Time Standards were not Established

We selected a sample of 60 suspended returns out of the 60,000 suspended in FY 2018 to test for accuracy of error corrections. Our review of a sample of error corrections completed on 60 returns did not reveal any errors. We found that return corrections were completed accurately, corrections were supported with notes in MITS, and returns were properly posted to the taxpayer's account. Based on the results of our sample of FY 2018 transactions, a sample of FY 2019 transactions was not warranted as controls over error correction were deemed adequate.

However, we did determine the Suspense Unit did not have written Policies and Procedures that specified the time requirements for Tax Technicians to correct errors in suspended returns. OIO reviewed the Suspense Unit Financial Policies and Procedures Manual to determine the requirements for correction; however, there is no written policy related to completion. In discussion with staff and the Branch Chief, we found there is an informal policy which sets three days for tax technicians to complete an error correction. Without written Policies and Procedures, the Technicians cannot be held accountable for delays. Additionally, delays in correcting return errors can result in inaccurate taxpayer account balances or status.

Based on information provided by the Branch Chief, OIO performed the following:

- generated two (2) reports in MITS of completed suspended return transactions corrected during the periods April to September 2018 (2018) and January to March 2019 (2019). The 2018 report had a total of 60,000 suspended returns transactions and the 2019 report had 22,782 transactions.
- Using ACL, analyzed the error correction timelines for the entire population of suspended returns reports for both periods to test for timeliness in resolving the suspension errors.

In review of the timeliness of the error correction for both periods, we noted the following:

Table 1: Time taken by Tax Technicians to Correct Errors

Period	Total Suspended Returns	Error corrected over 3 days	% of Total
April to September 2018	60,000	8,253	14%
January to March 2019	22,782	1,706	7%

Source: ACL analyzed MITS report

As noted above, the error correction timeliness improved in FY 2019. For the population from FY 2018 that took more than three (3) days, we analyzed the number of days taken to correct errors as a percentage of the total population and noted the following:

Table 2: FY 2018 suspended returns corrected after the 3 days requirement

Days taken to Correct Error	Count	Percent of total returns
4	2,615	31.7%
5	1,935	23.5%
6	1,730	21.0%
7	1,013	12.3%
8	512	6.2%
9	448	5.4%
Totals	8,253	100%

Source: ACL analysis of FY 2018 MITS Report

We also generated a report of suspended returns that were pending correction as of June 6, 2019 to determine the number and length of time items were suspended. We noted of the 2,325 returns suspended, 112 were suspended for over three (3) months and included three (3) returns that were suspended in since 2016, 31 suspended in 2017 and 42 suspended in FY 2018.

In interviews, Tax Technicians stated that some items cannot be worked such as registration errors and are left in the queue for further review by the Manager or Branch Chief. The Branch Chief stated that delays in error correction are caused by the difficulty in resolving errors in suspended returns, especially those that require taxpayer contact. Items that are unprocessable are reviewed by the Manager or Branch Chief and notes are provided to the staff to complete the correction.

Without written Policies and Procedures, the Technicians cannot be held accountable for delays. The delay in correcting errors in returns can result in inaccurate taxpayer account balances or status and lead to taxpayer complaints.

Recommendations

We recommend the DCFO, OTR direct RPA management to:

1. Update the Suspense Unit Policies and Procedures Manual to include the time required for completion of error correction.
 2. Review inventory reports routinely to monitor and address items that have exceeded the timeframe for completion.
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Management's Response and OIO Evaluation

Recommendation 1:

OTR concurs with the recommendation. RPA updated the Policies and Procedures manual for FY 2019 to include the 3-day turnaround as a goal issued to each staff member.

OIO Evaluation:

The planned action is responsive and meets the intent of the recommendation.

Recommendation 2:

OTR concurs with the recommendation. RPA will develop a tracking mechanism to cover reporting on all outstanding items that cannot be completed by RPA by October 15, 2019.

OIO Evaluation:

The planned action is responsive and meets the intent of the recommendation.

Exhibit A: Summary of Recommendations and Benefits

No.	Recommendation	Type of Benefit	Agency Reported Estimated Completion Date	Status ¹
1	Update the Suspense Unit Policies and Procedures Manual to include the time required for completion of error correction.	Process Improvement	September 15, 2019	Closed
2	Develop a tracking mechanism to monitor the status of suspense items that are the result of systemic or other external causes.	Process Improvement	October 15, 2019	Open

¹ 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.

Exhibit B:

OTR Management Response

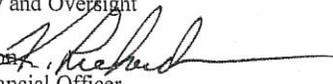
GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer
Office of Tax and Revenue



Keith J. Richardson
Deputy Chief Financial Officer

MEMORANDUM

TO: Timothy Barry, Executive Director
Office of Integrity and Oversight

FROM: Keith J. Richardson 
Deputy Chief Financial Officer

DATE: September 16, 2019

SUBJECT: Draft Report on the Audit of Internal Controls over the Returns Processing
Administration (RPA) Suspense Unit (**OIO No. 19-01-06-OTR**)

This is in response to the Draft Report on the Audit of Internal Controls over the Returns Processing Administration (RPA) Suspense Unit (OIO No. 19-01-06 OTR). We have reviewed the report and are providing the following responses to the recommendations made as a result of the audit findings:

Recommendation #1: Update the Suspense Unit Policies and Procedures Manual to include the time required for completion of error correction.

RPA developed unit KPIs for the 2019 fiscal year and forward. One of the KPIs for the Suspense and Review Unit is to accurately examine and post individual income and business returns within an average of 3 days from receipt of the return with a 95% achievement rate overall. This KPI was disseminated to the staff as a key component of their fiscal year 2019 goals and competencies.

When RPA initiated this management directive, it was with the intention of gauging the applicability of the goal over the course of the fiscal year with the knowledge that the goal may have to be adjusted or modified so that it functionally matches what is achievable with the MITS system while ensuring optimal productivity.

Agency Completion: RPA will update its Policies and Procedures manual for fiscal year 2019 and forward to include the 3-day turnaround as a goal issued to each staff member. This will be completed no later than September 15, 2019.

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Recommendation #2: Develop a tracking mechanism to monitor the status of suspense items that are the result of systemic or other external causes.

RPA conducts meetings twice a week where the Suspense and Review managers are required to present the current suspended inventory. The Suspense and Review managers have been manually calculating and reporting on the approximate number of items that cannot be processed by RPA.

To ensure complete coverage of all items that appear on the RPA Outstanding Work Items report, RPA will work with its RPA-MITS representative and FAST to finalize the reporting that identifies work items that are a component of other administration's requirements and to separate work from the RPA Outstanding Work Items that require an SQR to move forward.

Agency Completion: We will develop a tracking mechanism to cover the reporting of all outstanding items that cannot be completed by RPA. This will be completed by October 15, 2019.

If you have any further questions, please contact Joseph Parran, Director of the Returns Processing Administration at 442-6233.

cc: Eva M. Liggins, Director of Operations
Joseph Parran, Director, Returns Processing