

February 3, 2015

Mr. Jeffrey DeWitt
Chief Financial Officer
1350 Pennsylvania Avenue, NW
2nd Floor
Washington, DC 20004

Dear Mr. DeWitt:

I wanted to formally invite you to attend the Committee's February 25, 2015 public oversight hearing on the FY 2014 and FY 2015 performance of the Office of the Chief Financial Officer. The hearing is scheduled to commence at 10:00 a.m. in the Council Chambers. In addition to your attendance at the hearing, I would also appreciate having the Deputy CFOs in attendance.

I have some questions in advance of the hearing (attached) and I would appreciate having your responses by February 20, 2015 so we may circulate them to the Members of the Committee.

Thank you for your attention to this matter, and I very much look forward to your testimony as always. Please contact me or Ruth Werner on my staff at 202-724-8058, should you or your staff have any questions.

Sincerely,

Jack Evans, Chairman
Committee on Finance and Revenue

Enclosures

OCFO

Office of the Chief Financial Officer -- FY 2014/2015 Oversight Questions

1. Please provide the Committee with an updated organizational chart and current Schedule A. Please also provide a separate listing of all Agency Fiscal Officers/Associate CFOs; and CFO Budget contacts, with contact information.

Response:

See **Attachment 1A** – Schedule A, **Attachment 1B** – OCFO Org Chart, and **Attachment 1C** – OCFO User’s Guide. The “Agency Financial Operations” components on the right side of the org chart indicate CFO staff functioning in the various District agencies. They are CFO employees, but are not included in the OCFO agency budget. The User’s Guide provides contact information for key CFO staff, including budget contacts.

2. What is the status of hiring for the following positions: Senior Financial Policy Advisor.

Response:

The new Senior Financial Policy Advisor started on February 9, 2015.

3. Please provide a complete, up-to-date organizational chart for each division within the agency including and, either attached or separately, an explanation of the roles and responsibilities for each division and subdivision.
 - Please include a list of the employees (name and title) for each subdivision and the number of vacant positions.
 - Please provide a narrative explanation of any organizational changes made during the previous year.
 - Please provide a complete, up-to-date position listing for your agency, which includes the following information:
 - Title of position
 - Name of employee or statement that the position is vacant, unfunded, or proposed
 - Date employee began in position
 - Salary and fringe benefits, including the specific grade, series, and step of position
 - Job status (continuing/term/temporary/contract)

Please list this information by program and activity

Response:

Please see **Attachment 3**, comprised of organizational charts covering all of the OCFO agency administrations. Additional detail on each of the agency positions may be found on **Attachment 1A** - Schedule A. The fringe benefits rate will vary for each employee and may change through the course of the year depending upon individual circumstances.

4. Please provide the following:

- a. A list of all employees who receive cellphones, personal digital assistants, or similar communications devices at agency expense;

Response:

See **Attachment 4A**

- b. A list of all vehicles (year, make, model) owned, leased, or otherwise used by the agency and to whom the vehicle is assigned. Please include lease amount (if applicable) and date lease expires;

Response:

The OCFO maintains a total of 13 vehicles as detailed in **Attachment 4B**. No vehicle is assigned for any employee's exclusive use. In addition to the fleet vehicles, we have arranged for OCFO staff to have access to the DC Shared Fleet as well as to Zip Cars for business needs.

- c. A list of employee bonuses or special award pay granted in FY14 and FY15, to date;

Response:

The OCFO did not grant or award any bonuses or special award pay to OCFO employees in FY 2014 or FY 2015 to date.

- d. A list of travel expenses, arranged by employee; and

Response:

The four attachments for travel (See **Attachments 4D-1, 4D-2, 4D-3 and 4D-4**) are presented to provide a complete picture of travel expenses incurred for both local and out-of-state travel as captured by both purchase cards and direct vouchers for FY 2014 and FY 2015 to date. The purchase card is normally used to pay for lodging, conference/registration and transportation. A single purchase card holder may make a number of charges through the year to cover the travel

costs for several employees in a single administrative area. An advance to the employee to cover per diem and miscellaneous expenses is paid through the use of a direct voucher.

- e. A list of the total overtime and workman's compensation payments paid in FY 14 and FY15, to date.

Response:

Attachment 4E presents, by program code, total overtime payments and related additional payments for shift differential and on-call pay. The agency does not issue workman's compensation payments.

- 5. Does the agency conduct annual performance evaluations of all its employees? Who conducts such evaluations? What steps are taken to ensure that all agency employees are meeting individual job requirements? Please also provide the results of the 2014 staff survey on training and education, along with any resulting plan to increase the effective and timely training of current staff.

Response:

Yes, the Office of the Chief Financial Officer conducts annual performance evaluations. Our performance management program is designed to be an objective means for managers to measure their employee's performance throughout the entire year by establishing specific, measurable, realistic and timely goals. The employee's supervisor conducts the performance evaluation. In addition to the employee's evaluation session, supervisors outline expectations, discuss individual career development opportunities, and recognize employee's accomplishments during performance planning sessions and informal mid-year reviews. Employees also receive coaching and mentoring throughout the year.

The results of the 2014 staff survey on training and education outlined a desire for additional technical training in order to increase productivity and improve overall work performance. We are currently working with various subject matter experts and agency units to design, develop and implement training.

6. Please provide an update on the OCFO Strategic Plan issued in 2014, including a summary of its rollout and implementation. Please also comment on the FY 2015 Budget supporting: improved customer service, increased revenue collection, increased efficiency through technology as discussed in your FY15 Budget testimony (slide 10).

Response:

This information will be presented at the Performance Oversight Hearing on Wednesday, February 25.

7. How many employees were placed on Administrative leave for or during FY2014? For FY2015 to date? Please indicate the purpose/reason for Administrative leave.

Response:

There have been no employees that the Human Resources Division has placed on Administrative leave during FY2014 or FY2015 to date.

8. Please list all employees detailed to or from your agency, if any. Please provide the reason for the detail, the detailed employee's date of detail, and the detailed employee's projected date of return.

Response:

There are no employees who have been detailed to/from the Office of the Chief Financial Officer.

9. Please provide a narrative description of the status of implementation of all your IT systems, including SOAR and ITS. Include in your response the contract award date for ITS; status or completion of the ROD upgrade, CAMA upgrade, telephone call center upgrade, and CCU accounts receivable system.

Response:

- **Integrated Tax System Modernization (MITS)**
The MITS project will replace and modernize the District's Business and Personal Tax Systems. Most of the project cost is for the contract to design, develop and implement the integrated system for the processing and billing of the various income and other tax types managed by the OCFO Office of Tax and Revenue (OTR). The contract was awarded and the project began on 10/6/2014. With the phased implementation of the project plan, the first tax types are scheduled to be yielding increased revenue beginning in FY 2016 and accumulating \$42.5 million by FY 2018, with continuing added revenue in the years that follow. The First tax types to be implemented are Individual Income Tax, Estate, and Fiduciary.

- **SOAR Replacement Project (DCSRP) - SOAR and Budget Modernization**
 The DCSRPP will replace the District’s current financial system and budget formulation system. Following a review of technology initiatives and the establishment of a new financial system as one of our initial strategic initiatives, Oracle was engaged to conduct an Insight process. They gathered agency-wide participants to review current practices and procedures which provided the CFO with “analysis, recommendations, a roadmap, and related business case for modernization of the District of Columbia Financials” (Executive Summary presentation, slide 4). The CFO also engaged Cherry Bekaert to present a workshop on the role of financial leaders in enterprise system implementations. These two exercises were designed to prepare the OCFO for the resumption of the replacement project, contingent upon identifying and securing sufficient subject matter expert resources for the project while maintaining ongoing operations. The current system of accounting and reporting (SOAR) continues to be maintained and allowed the OCFO to issue its 18th consecutive clean audit for the District for the year ending September 30, 2014.
- **Recorder of Deeds (ROD) Upgrade**
 The ROD upgrade was completed and implemented on February 24, 2014. The ROD System Upgrade will provide citizens better ability to interact with ROD through self-service. The software also supports immediate viewing of documents online and a variety of real time management reports.
- **Computer Assisted Mass Appraisal (CAMA) Upgrade**
 The CAMA system upgrade addresses a number of security and audit concerns. We went live with the new version of CAMA on May 21, 2014, and it was used for the current (TY16) reassessment.
- **Central Collection Unit (CCU) Accounts Receivable System**
 The initial award of a contract to consolidate delinquent debt collections was contested and a revised contract was published, with bids due in mid-December 2014. While awaiting the awarding of the new contract, the Ajility vendor continues to work with the District to prepare for the implementation of the system. Given the delay caused by the contestation of the collections award, the project is now anticipated to be completed by the end of the year.
- **Telephony Upgrade**
 In FY 2014 the Office of the Chief Financial Officer (OCFO) evaluated options for upgrading or replacing the 15 year-old Aspect Telephony System used by the Office of Tax and Revenue (OTR). The OCFO determined that Aspect remains one of the preeminent vendors in the Telephony marketplace, and directed the Office of Contracts to solicit quotes from Aspect for upgrading the system software and hardware. A statement of work was prepared and a request for quotes for software, hardware, and implementation services was issued by the Office of Contracts to

Aspect in November 2014. The quote was received in December 2015. The Office of Contracts is currently in the final stages of negotiating a contract with Aspect for the upgrade. The Office of Contracts expects to award a contract to Aspect by the end of February. The OCFO expects that the Telephony System upgrade will be completed by August 2015.

10. What is the status of the CAMA upgrade? Was the targeted upgrade and implementation for the 2nd quarter of FY2014 met as discussed in your responses to FY13 & FY14 performance oversight? If not, please explain any delays or challenges? What else is planned for CAMA?

Response:

What is the status of the CAMA upgrade?

The CAMA upgrade was implemented on May 21, 2014.

Was the targeted upgrade and implementation for the 2nd quarter of FY2014 met as discussed in your responses to FY13 & FY14 performance oversight? If not, please explain any delays or challenges.

Yes. The CAMA upgrade was implemented in the 2nd quarter of FY2014.

What else is planned for CAMA?

The OCFO intends to procure an Appeals Tracking system that would integrate with the Computer Aided Mass Appraisal (CAMA) system. The RFP is currently in the preparation stage. We will also be creating a statement of work to convert all the prior years that may be needed, so the old system can be retired. This system is currently in Read Only Mode.

11. Please list each contract, procurement, lease, and grant (“contract”) awarded, entered into, extended and option years exercised, by your agency during FY14 and FY15, to _____ date. For each contract, please provide the following information, where applicable:
- a. The name of the contracting party;
 - b. The nature of the contract, including the end product or service;
 - c. The dollar amount of the contract, including budgeted and actually spent amounts;
 - d. The term of the contract;
 - e. Whether the contract was competitively bid;
 - f. The name of the agency’s contract monitor and the results of any monitoring activity; and
 - g. Funding source.

Response:

Please see **Attachment 11**, which provides the information requested for the contracts

that are issued by the OCFO and paid for from the agency's budget. All of the listed contracts were competitively bid unless otherwise indicated. The listing shows all agency contracts issued in FY 2013 and FY 2014 to date as well as contracts issued previously but still active. The "Initial Value" indicates the original amount of the contract award, and in some cases is a "Not to Exceed" amount. The "Actual Value" column shows the current year value or most recent option period value, including the value of any contract modifications.

12. Please provide a chart showing your agency's approved budget and actual spending, by division, for FY14 and FY15, to date. In addition, please describe any variance between fiscal year appropriations and actual expenditures.

Response:

See **Attachment 12.**

13. Please list any reprogramming requests, in or out of the agency, which occurred in FY14 or FY15, to date. For each reprogramming, please list the total amount of the reprogramming request, the original purposes for which the funds were dedicated, and the new use of funds.

Response:

See **Attachment 13.**

14. Please provide a complete accounting for all intra-District transfers received by or transferred from the agency during FY14 or FY15, to date.

Response:

See **Attachment 14A** and **Attachment 14B.**

15. Please identify any special purpose revenue accounts maintained by, used by, or available for use by your agency during FY14 or FY15, to date. For each account, please list the following:
- The revenue source name and code;
 - The source of funding;
 - A description of the program that generates the funds;
 - The amount of funds generated by each source or program in FY14 and FY15, to date; and
 - Expenditures of funds, including the purpose of each expenditure, for FY14 and FY15, to date.

Response:

See **Attachment 15**.

16. Please provide a list of all projects for which your agency currently has capital funds available. Please include the following:
- A description of each project;
 - The amount of capital funds available for each project;
 - A status report on each project, including a timeframe for completion; and
 - Planned remaining spending on the project.

Response:

BF211C – CFO\$olve

CFO\$OLVE implemented an array of financial reporting tools for both financial and non-financial users. As a result of an agency outreach program, CFO\$olve applications, reports and dashboards have been developed and delivered to a number of different agencies, including the University of the District of Columbia (UDC), Office of Finance and Resource Management (OFRM), Department of General Services (DGS) and DC Lottery, in addition to providing enhanced reporting and analytical capacity for the OCFO Office of Revenue Analysis (ORA). The budget formulation application (BFA) was enhanced for the Council budget review process, DCPS budget development and Table 5 adjustments (summary of agency funding changes), and a series of reports and screens were created to improve retainage reporting for Capital Assets. CFO\$olve initiatives in the pipeline for the current year include: mobile access for CFO\$olve reporting tools, economic trends dashboard for OCFO/ORA, and expand and refresh the current CFOInfo site.

The CFO\$olve project plans to spend the project available balance of \$2,686,077 over the next 24 months on the initiatives referenced above and other enhancements to CFO\$olve, the Agency Operational Dashboard, and the public-facing CFOInfo sites.

BF301C - SOAR and Budget Modernization

The DC SOAR Replacement Project (DCSRP) will replace the District's current financial system and budget formulation system. Following a review of technology initiatives and the establishment of a new financial system as one of our strategic initiatives, Oracle was engaged this past year to conduct an Insight process. They gathered agency-wide participants to review current practices and procedures which provided the CFO with analysis, recommendations, a roadmap, and related business case for modernization of the District's financial accounting and budget systems. The CFO also engaged Cherry Bekaert to present a workshop on the role of financial leaders in enterprise system implementations. These two exercises were designed to prepare the OCFO for the resumption of the replacement project, contingent upon identifying and securing

sufficient subject matter expert resources for the project while maintaining ongoing operations.

Current available funding for the project totals \$24,311,695, with additional funding of \$44 million authorized in future budget periods.

CSP08C - Integrated Tax System Modernization (MITS)

The MITS project will replace and modernize the District's Business and Personal Tax Systems. Most of the project cost is for the contract to design, develop and implement the integrated system for the processing and billing of the various income and other tax types managed by the OCFO Office of Tax and Revenue (OTR). The contract was awarded in the fourth quarter of FY 14 with the project kickoff meeting held October 6, 2014. With the phased implementation of the project plan, the first tax types are scheduled to be yielding increased revenue beginning in FY 2016 and accumulating \$42.5 million by FY 2018, with continuing added revenue in the years that follow. The first tax types to be implemented are Individual Income Tax, Estate, and Fiduciary.

Current available funding for the project totals \$19,709,870 with additional approved funding of \$31 million included in the District's Capital Plan for FY 2016 and beyond.

EQ940C / BF302C / CSP09C – Master Lease cover capital investments associated with the new system enhancements as well as regular replacement of OCFO servers and support software. Master Lease funding currently available totals \$1,567,256.

17. Please provide a complete accounting of all federal grants received for FY14 and FY15, to date.

Response:

The Office of the Chief Financial Officer does not have any grants awarded directly to the agency. However, the administrative costs of food stamps distribution through debit cards is covered by the Supplemental Nutrition Assistance Program (SNAP) awarded to the Department of Human Services (DHS). Expenses are recorded for this activity in fund 8200 within the Office of Finance and Treasury, OCFO. An annual MOU is signed between the OCFO and DHS. In addition to the regular disbursement, a related portion of the supplemental nutrition program is also being managed by OFT. The market access portion of the SNAP grant provides funding for equipment and related startup costs for farmers markets to accept food stamps debit cards. This is a limited grant of up to \$18,000 to be disbursed starting in FY 2012 and ending in FY 2015. For both of these grant funded activities, a total of \$420,919 was expensed in FY 2014 and a slightly higher amount of \$450,000 is projected in FY 2015. A total of \$7,200 of the market access funds remain which is planned for use in FY 2015

18. What steps were been taken during FY14 and FY15 to date to reduce agency energy use?

Response:

During FY 2014 and continuing into FY 2015, the OCFO continues to reduce energy consumption at Waterfront Station by our ongoing efforts to “virtualize” the working environment through the use of “cloud” technology. These efforts (currently around 85-90% completed) reduce the need for electrical power and cooling ventilation as well as minimizing chemical emissions from office equipment. We are also working this year to reduce electrical energy consumption by replacing multiple network printers with single multi-function devices.

In partnership with the Waterfront Property Management firm, the OCFO’s ongoing commitment to reducing energy consumption includes:

- Reducing heat absorption through the extensive use of green roof assemblies;
- Optimizing energy performance by roughly 17% beyond prescriptive standards through utilization of solar shades on the south and west sides of the buildings;
- Improving indoor air quality through the use of low emitting materials;
- Operating HVAC on an as-requested basis only after normal operating hours;
- Reducing water demand by roughly 50% by installing low-flow and dual-flush plumbing fixtures.

19. Please identify any legislative requirements that the agency lacks sufficient resources to properly implement. Please identify any statutory or regulatory impediments to your agency’s operations.

Response:

The Disposition of District Land for Affordable Housing Amendment Act of 2014, projected law date March 10, 2015 (D.C. Act 20-485; 61 DCR 12407), allows the Mayor to waive affordable housing requirements after the OCFO has provided a financial analysis showing a need for the waiver. This is a new reporting requirement for the OCFO.

In addition, the Public-Private Partnership Act of 2013, projected law date March 11, 2015 (D.C. Act 20-550; 61 DCR 261), would establish a new office dedicated to public private partnerships. It requires the OCFO to (a) review the policies and procedures created by the new office guiding the award of public private partnership agreements, and (b) certify that each project meets a number of financial requirements (including certification the project would not adversely impact the District’s bond ratings). This is a new certification requirement for the OCFO.

Both of these new functions will be performed by the OCFO Office of Economic Development Finance and will be significant and time-consuming added responsibilities to an already robust workload.

In addition, the Office of Finance and Treasury plans to offer draft legislation: (1) to amend the Financial Institutions Deposit and Investment Amendment Act of 1997, and (2) to modernize the unclaimed property program.

20. Please list all regulations for which the agency is responsible for oversight or implementation. Please list by chapter and subject heading, including the date of the most recent revision.

Response:

See **Attachment 20**.

21. Please list each new program implemented by the agency during Fiscal Year 2014 and FY 2015 to date. For each initiative please provide:
- A description of the initiative;
 - The funding required to implement to the initiative; and
 - Any documented results of the initiative.

Response:

Attachment 21A charts the recent new programs in the Office of Tax and Revenue. Most of these employ enhancements to our automated systems to improve customer service and/or generate additional revenue.

Also noteworthy are recent initiatives in the OCFO Office of Pay and Retirement Services (OPRS), which currently provides pension administration services to employees of the US Park Police and US Secret Service eligible to participate in the DC Police and Firefighters' Retirement Plan. As the pension plan and payroll administrator, the OPRS provides benefits administration and pension payroll service to an estimated population of 3,800 annuitants, survivors and beneficiaries. The monthly pension payroll is approximately \$24 million per payroll cycle.

Attachment 21B details the four recent components of the ongoing Federal Police Retirement Initiative. This effort represents a significant move forward for the federal retirees whose retirement information and payments we manage. Benefits for retirees include better communication regarding plan changes, secure online access to account information, and ability to update account profiles.

In addition to the attached, other recent OCFO initiatives in the Office of Finance and Treasury (OFT) are highlighted below.

FY 15 Initiatives:

Description	Funding	Results
Perform a gap analysis on PCI compliance of District payment card acceptance and processing; implement resulting security recommendations.	PCIDDS (Payment Card Industry Data Security Standard) Security Consultant - \$70,000	Consultant starts 2/17/15
Review and strengthen security of cashiering sites in conjunction with the OCFO Office of Integrity and Oversight, which will provide a deterrent to theft and cash mismanagement	\$30,000	In the process of procuring contracts

FY 14 Initiatives:

Description	Funding	Results
The OFT debt management team was able to execute new money issuance and a refunding transaction	Used existing resources	Provided \$22.2 million in debt service savings in FY 14
OFT transitioned 10 agency programs from check payments to debit card disbursements.	Used existing resources	Saved the District approximately \$180,000 and eliminated 55,530 checks (15%) that would have been issued.
OFT developed a disaster recovery plan for check printing with Wells Fargo.	\$5,000	Significantly reduced costs related to maintaining multiple printers and related printing costs; we now have an improved solution in the event of disaster to meet District obligations.
OFT worked with the Office of the Attorney General to assist with the SEC case against Standard and Poor's	Used existing resources	The settlement against Standard and Poor's and a monetary award to the District of Columbia of approximately \$21,000,000.
OFT produced the first Annual Report for the District's Health Trust, also known as the OPEB Trust. The annual report	Used existing resources	This process will greatly enhance transparency by providing to executive

presents a description of the program, a description of the investment managers, the actuarial study and the audited financial statements.		management and city officials detailed information on the management of the Health Trust.
The OFT Unclaimed Property unit executed an exhaustive research project to identify paper assets (stocks and bonds) that were held greater than 3 years. By District statute these assets can be sold and converted to cash and the District can use this cash in the General Fund.	Used existing resources	This research project resulted in a sale of paper assets in the amount of approximately \$27,000,000 in FY 2014. Unclaimed Property also began the process of selling by auction the tangible assets received by unclaimed property. These tangible assets include coins, jewelry and other collectibles. This also will bring additional cash to the District that can be used for General Fund purposes.

22. Please provide a list of all studies, research papers, and analyses (“studies”) the agency requested, prepared, or contracted for during FY14. Please state the status and purpose of each study.

Reponse:

During FY 2014, the OCFO conducted the following studies, research papers and analyses:

OCFO-Economic Development and Finance (EDF)

- **Southwest Waterfront Project:** A financial analysis completed during the renegotiation of the Financing Agreement for the Wharf project (also known as Southwest Waterfront Project). The purpose of that study was to compare the original financial structure of the original 2008 agreement with the developer’s new proposed structure. The study is complete.
- **Soccer Stadium:** An appraisal and cost study for the Soccer Stadium proposal to support an independent analysis of the soccer stadium proposal for deliberations by District stakeholders.

The EDF staff also prepared white papers on emerging financing techniques in economic development. These included:

- Social Impact Bonds
- Public Private Partnerships
- Infrastructure Banks

OCFO- Office of Revenue Analysis (ORA)

Routine Reports

- *DC Economic Indicators* is published monthly and provides a two-page “at a glance” overview of four key sectors of the DC economy: (i) “labor and industry” which includes information on District employment trends, along with the composition of resident employment by industry; (ii) “revenue” collections by major tax types; (iii) “DC and US economic information,” including DC personal income, inflation, and unemployment rate trends; and (iv) “real estate” that provides information on home sales volume and prices and commercial office vacancy rates and inventory.
- *A Review of District of Columbia Economic and Revenue Trends* is published monthly and provides a wealth of information on all aspects of the DC economy, including employment, wages, housing, commercial office space, and hospitality and retail industry.
- *Tax Rates and Tax Burdens: Washington Metropolitan Area* is published annually and provides not only a comparison of the District’s statutory rates with its five neighboring jurisdictions (Alexandria and the counties of Montgomery, Prince George’s, Arlington and Fairfax), but also comparative measures of household tax burden by type of tax for different income levels.
- *Tax Rates and Tax Burdens in the District of Columbia: A Nationwide Comparison* is an annual publication that provides a compendium of statutory tax rates and estimates of the household burden of major taxes by income class in the District compared with the largest city in each of the 50 states. The summary table from this report is generally reproduced in the annual *Statistical Abstract of the United States*.
- *The Economic Report of the District of Columbia (Data Book)* is an annual publication that provides detailed data on the District’s economy and its revenue system.
- *DC Tax Facts* is an important and widely used pocket-sized reference of District tax collections and describes all of the District’s revenue (tax and non-tax) sources, the history of major revenue changes since 1970, filing and payment dates, and the yield of each revenue source utilized by the District.

- ORA also publishes a monthly table of *Cash Collections*, as well as a *Cash Collections Narrative Report* that tracks cash collections by source. This report is critical in monitoring the performance of District revenue collections relative to the revenue estimate.
- *Tax Expenditures* is a biennial report that catalogues and quantifies revenue losses from federal and District tax provisions that grant special relief designed to encourage certain kinds of taxpayer behavior or to aid taxpayers in special circumstances.
- Each year the ORA is responsible for the preparation of the Revenue chapter that is included in both the Mayor's *Proposed Budget and Financial Plan*, and then, with Council revisions, the Executive Summary of the *Budget and Financial Plan* that is submitted to Congress (June). The Revenue chapter begins with a comprehensive review of the US and District's economic outlook and then proceeds to present in great detail information on the revenue flows by revenue source over the financial plan period. The revenue presentations include detailed as well as summary tables of the baseline revenue estimate and policy proposals included in the budget.

Ad hoc Reports

- *D.C. Parenthood: Who Stays and Who Leaves?* This study was conducted to better understand the underlying reasons and causes for parents' decision to stay or leave the District of Columbia.
- *Evaluating Tax Expenditures Using JLARC Model.* Evaluates the tax expenditures of the District of Columbia and other selected jurisdictions using a model developed by Virginia's Joint Legislative Audit and Review Commission (JLARC).
- *Income and tax rates or life events?* Evidence on moving patterns from the District of Columbia tax returns. DC income tax data gives insight into the population dynamics of a growing, changing city. The net increase was 58,157, but hundreds of thousands of filers moved on and off the tax rolls from 2001 to 2012.
- *Income inequality in DC from 2001 to 2012.* The tax data show an upward trend and significant business cycle effects, inequality was highest right before the Great Recession.

- *The Effect of the District of Columbia Supplemental EITC on Poverty, Employment, and Income Growth.* Using administrative tax data, the combined effect of the District of Columbia (DC) supplemental earned income tax credit (EITC) and the federal EITC on poverty, employment, and income dynamics within Washington, DC from 2006-2011 were assessed. It was found that the combined EITC raises the likelihood of extensive margin employment, lowers longer term poverty, and reduces instability from income declines.

23. Please explain the impact on your agency of any legislation passed at the federal level during the past year, to date that significantly affect agency operations. If regulations are the shared responsibility of multiple agencies, please note.

Response:

There was no new federal legislation that significantly affected the OCFO's operations in FY14.

The Office of Finance and Treasury has seen some impact related to the banking regulations issued in connection with the Dodd–Frank Wall Street Reform and Consumer Protection Act (Pub.L. 111–203, H.R. 4173); those new rules forced certain banks to drop some business lines, such as prepaid debit cards at JPMorgan and Citigroup. OFT also has been impacted by recent changes from the U.S. Securities and Exchange Commission and the Municipal Securities Rulemaking Board related to disclosure and continuing reporting requirements for bond issuance.

24. Please provide a list of all MOUs in place during FY14.

Response:

See **Attachment 24.**

25. Please list and describe any ongoing investigations, audits, or reports on your agency or any employee of your agency; or any investigations, studies, audits, or reports on your agency or any employee of your agency that were completed during FY14 or FY15, to date. Please reference where any audits or reports are located on the OCFO website, where applicable.

See **Attachment 25.**

26. What is the current status of SEC inquiry "In the Matter of District of Columbia Municipal Bonds [MHO-11986]," initiated October 19, 2012?

Response:

The SEC has not communicated with the OCFO with regard to this matter since December, 2013. We do not know the current status of the inquiry.

27. What is the status of recommendations made from the IG report OIG No. 13-2-01AT "Evaluation of the District's Management and Valuation of Commercial Real Property Assessments"?

Response:

See **Attachment 27.**

28. Please identify what steps the Office of Real Property Tax Administration is taking to improve the reliability of its assessments and reduce the number of assessment appeals. Please also provide a list and frequency of the common reasons why assessments are appealed, and overturned. Please discuss ongoing efforts to work with the business community on changes in commercial tax assessment processes.

Response:

As a result of the recommendations made in the audit on the commercial real property tax assessments, the OCFO made changes that have improved the reliability of assessments. It is unclear whether this has led to a reduction in appeals. Common reasons why assessments are appealed and overturned include disagreements concerning the appropriate capitalization rate and market rent. RPTA met with the business community on February 12th to discuss the commercial tax assessment process including:

- Electronic Income and Expense Filing
- Market driven mass appraisal valuations
- Changes to the apartment model to better reflect the impact of subsidized and rent controlled apartments

29. Please identify all recommendations identified by the Office of the Inspector General, D.C. Auditor, or other federal or local oversight entities during the previous 2 years (FY 2013-2014). Please provide an update on what actions have been taken to address these recommendations.

Response:

See **Attachment 29.**

30. Please identify all electronic databases maintained by your agency, including the following:
- A detailed description of the information tracked within each system;
 - The age of the system and any discussion of substantial upgrades that have been made or are planned to the system; and
 - Whether the public can be granted access to all or part of each system.

Response:

See **Attachment 30**.

31. What has the agency done in the past year to make the activities of the agency more transparent to the public? In addition, please identify ways in which the activities of the agency and information retained by the agency could be made more transparent. Please include in your response any plans to increase taxpayer assistance, including plans for outreach to District community groups.

Response:

The Office of Revenue Analysis has established a blog “Districtmeasured.com” which provides immediate access to the information gathered in office’s studies. It has attracted thousands of views and some 1000 unique viewers. About 70 people actively following the blog and we receive emails every time new information is posted. The blog generates questions and requests for data analysis from the public, and the responses are posted on the blog.

The Office of Budget and Planning maintains the CFOinfo website, which provides detailed information on the District’s budget that allows the public to manage the information in the formats that best meet their needs. An additional year was added to give the public access to the current year budget and the previous five years file. This enables the public to review six years of District budgets.

All FY 2014 Office of Budget Planning-generated reports are now available on the OCFO’s website, with the exception of the Capital FTE report, which is ultimately submitted by the Mayor. There reports also are distributed to the news media and other interested organizations and individuals. These reports include:

- Operating Financial Status Report (*Monthly*)
- Capital Financial Status Report (*Quarterly*)
- Emergency and Contingency Cash Reserve Fund (*Quarterly*)
- Variances between Actual Agency Expenditures and Approved Spending Plans (*Quarterly*)

- Reprogrammings (*Quarterly*)
- Intra-Districts (*Quarterly*)
- Capital Project Support Fund (ABC) (*Quarterly*)
- DDOT Project Review and Reconciliation (ABC-DEF) (*Quarterly*)
- Grant Budget Modifications and Activity (*Quarterly*)

The Office of Tax and Revenue, in order to make the activities of the agency more transparent, and to educate taxpayers on law changes, each year, hosts a ‘Tax Resolution Day’ in each ward. Taxpayers are able to meet with representatives from OTR’s Customer Service, Real Property and Compliance administrations to address outstanding tax matters.

In addition, OTR staff meets frequently with Council constituent services directors, ANCs, other District government agencies, tax practitioners, tax advisory council members, and private entities to keep them abreast of agencies initiatives.

Through feedback solicited from taxpayers who visited OTR’s walk-in center, we learned that wait time was longer than what customers expected. This was particularly true during the lunch rush hour. Taxpayers also told us via the surveys that simple matters (drop off documents, obtain true and certified copies of returns, obtain tax forms, etc.) should be handled more expeditiously.

OTR’s Customer Service Administration increased staffing in the walk-in center, including the addition of a team leader trained to handle complex matters. Lunch shifts were altered to ensure adequate coverage during that rush hour. OTR Customer Service Administration also dedicated two employees to handle routine, simple matters. The wait time was reduced significantly and complaints about wait time are nearly non-existent.

In addition, OTR has increased the staff which handles telephone calls from taxpayers. This has virtually eliminated the long wait times, hang-ups and dropped calls.

The Chief Financial Officer and OTR staff have been and are continuing to meet with the organizations representing commercial developers and property managers and individual companies and their attorneys to discuss how;

- Commercial properties are assessed
- The assessment process can be made more transparent
- The assessment process can be improved

Changes have been made in the assessment process to make it more transparent and suggested improvements and being studied, including possible legislation supported by both the CFO and the industry.

32. How does the agency solicit feedback from customers? Please provide a summary of the feedback from any customer service surveys over the past year. Please also describe.
- What the agency learned from this feedback; and
 - How has the agency changed its practices as a result of such feedback?

Response:

The OCFO solicits feedback from customers via:

- Customer Service Surveys
- Social media – Twitter
- Meetings/outreach
- Web site – “Ask the CFO” and “Tax Help”

1.

The Office of Tax and Revenue, each year, hosts a ‘Tax Resolution Day’ in each ward. Taxpayers are able to meet with representatives from OTR’s Customer Service, Real Property and Compliance administrations to address outstanding tax matters.

In addition, OTR staff meets frequently with Council constituent services directors, ANCs, other District government agencies, tax practitioners, tax advisory council members, and private entities to keep them abreast of agencies initiatives.

Through feedback solicited from taxpayers who visited OTR’s walk-in center, we learned that wait time was longer than what customers expected. This was particularly true during the lunch rush hour. Taxpayers also told us via the surveys that simple matters (drop off documents, obtain true and certified copies of returns, obtain tax forms, etc.) should be handled more expeditiously.

OTR’s Customer Service Administration increased staffing in the walk-in center, including the addition of a team leader trained to handle complex matters. Lunch shifts were altered to ensure adequate coverage during that rush hour. OTR Customer Service Administration also dedicated two employees to handle routine, simple matters. The wait time was reduced significantly and complaints about wait time are nearly non-existent.

In addition, OTR has increased the staff which handles telephone calls from taxpayers. This has virtually eliminated the long wait times, hang-ups and dropped calls.

Empowering DC residents on information to meet their tax obligations is paramount. The Office of Tax and Revenue uses the following mediums/platforms to educate the public on agency activities and initiatives:

- Advertisement of programs with local radio outlets and newspapers
- Staff participation at community outreach events with ANCs, City Council members, other DC government and private entities
- Quarterly briefings with City Council Constituent Services Directors
- In March, OTR holds a series of Tax Resolution Days in every ward
- Quarterly meetings with tax advisory council and practitioners
- Customer Service Surveys
- Social media – Twitter
- Web site – “Ask the CFO” and “Tax Help”

33. Please describe the results of last year’s OCFO consumer survey.

Response:

The OCFO’s website includes a survey that takes the user through a series of questions about the quality and serviceability of the presentations and asks for specific comments. More than 90 percent of all website visits are to the Office of Tax and Revenue and the employment opportunities.

34. Please provide an update on the efforts to implement Combined Reporting.

- Additionally, as indicated in the Fiscal Impact Statement for the FY2012 Budget, \$22.6 million of revenue for Combined Reporting was included in the District’s budget and financial plan. What amount was collected for FY2014? How does this compare to what was collected in FY 2013?

Response:

Combined Reporting is fully implemented both in terms of forms development and system updates. The amount collected for FY 2014 (TY 2013 returns) was \$29,819,672, compared to \$20,994,105 for FY 2013 (TY 2012 returns).

35. Regarding the creation of the Central Collections Unit in the Fiscal Year 2013 Budget Support Act of 2012, please discuss the implementation of certain requirements:

- Please provide a status update to the procurement for a database system to accept actual transfers of debt files from District agencies; and receive and track suspension notices. Your performance oversight responses for FY 2012 and 2013 referenced an anticipated contract award date of August 2013. Also, please provide a list of agencies with delinquent debt of more than 60 days that has not been transferred to the CCU.

Response:

The contract award date was February 5, 2014. The contract award number is CFOPD-14-C-007.

On February 24, 2014, a “kick-off” meeting took place involving Columbia Ultimate management officials, OFT/Central Collection Unit and OCIO staff assigned to the project. As project coordination commenced, resources allocated to the project included the Associate Treasurer, Operations and Banking as the Senior Manager, and five members of the Central Collection Unit. In addition, OCIO initially devoted ten of its staff to this project. There continued to be a coordinated and ongoing effort on behalf of OFT, OCIO and Columbia Ultimate to have twice weekly meetings to determine business requirements and configurations. From April 29, 2014 through May 2, 2014, OFT, OCIO and Columbia Ultimate met face-to-face to discuss detailed business requirements, IT programming, and configurations. Prior to and after the face-to-face meeting there were weekly internal status meetings and weekly meetings with Columbia Ultimate personnel.

Since awarding the contract, there have been several personnel changes and commitments impacting the progress of system implementation. Columbia Ultimate recently assigned its fourth Project Manager. OCIO terminated its initial project manager in July 2014, as well as reassigned the majority of its dedicated staff to other IT projects. For a substantial period of time, OCIO had only a project manager, and a IT Specialist assigned to work with CCU and the vendor. The OCIO project manager most familiar with the CCU/Ajility process was recently replaced with another project manager, and a newly hired business analyst. OFT/CCU and OCIO continue to meet and move forward to the best of our ability.

On March 20, 2014, Office of Contracts awarded collection contracts to Harris and Harris; and to NCO as the two CCU collection contractors. An administrative protest was filed by one or more of the non-selected vendors. The awards were subsequently terminated by OAG, as settlement of the vendor protests. This resulted in OFT/CCU and the Office of Contracts having to initiate the release of a new RFP. Currently, the SSEB team is conducting consensus meetings to select two collection contractors for CCU. The awards are projected to occur in March 2015. The delay in awarding the collection contracts due to the protest impacted the timeline of the software. The project plan has been revised to complete phase one by the end of the year.

The CCU is currently working to collect delinquent debts owed to DMV, UMC, and UDC through its existing collection contractors, as well as internal CCU collections on DMV debts for individuals requiring services, such as a driver’s license and/or registration renewals. OFT/CCU is also finalizing the transition of collection for dishonored checks and related fees owed to the District.

District agencies that have transferred qualifying delinquent debts to the General Ledger are as follows:

- OFT - \$15,224,258
- MPD - \$301,911

- FEMS - \$7,175
- DOC - \$177,358
- DOE - \$374,726
- DMV –\$70,014,466

The debts will remain on the GL until the CCU Ajility system is operational, and the CCU collection contractors are awarded contracts. Once this process is completed, the CCU will pursue delinquent debts from the remaining qualifying District agencies.

- Please provide a copy of the CCU Report to the Council identified in Title I, Subtitle E, 1052 of the Fiscal Year 2013 Budget Support Act of 2012 which includes (1) the amount of delinquent debt collected in the preceding fiscal year; (2) the amount of uncollected delinquent debt owed to the District; (3) a summary of the efforts made to collect delinquent debt owed to the District and the challenges that remain for collecting it.. Is this posted on the web? If so, please provide a link. If not, why?

Response:

The OFT/CCU Annual Report to Council for FY2014 will be completed and provided to Council timely in March 2015. The prior years' Annual Report to Council for FY2013 is attached (see **Attachment 35B**). All of the requested information as stated above will be incorporated into the FY2014 Report.

- 1) Total FY2014 Net Revenue Collected: \$27,416,990;
- 2) The amount of uncollected delinquent debt owed to the District is \$86,099,893;
- 3) Challenges: On March 20, 2014, Office of Contracts awarded contracts to Harris and Harris; and to NCO as the two CCU collection contractors. An administrative protest was filed by one or more of the non-selected vendors. The awards were subsequently terminated as a matter of convenience by OAG, as settlement of the vendor protests. This resulted in OFT/CCU and the Office of Contracts having to initiate the release of a new RFP. Currently, the SSEB team is conducting consensus meetings to select two collection contractors for CCU. The awards are projected to occur in March 2015.
- 4) There is CCU information on the OCFO Intranet and CCU Internet, but it needs to be updated with a current stakeholder report.

36. Please further discuss the status of the Central Collections Unit to the extent that responses to these questions have not already been covered in your responses above.

- When did the CCU assume collection responsibilities from all of the Executive agencies?

Response:

The CCU commenced operations on October 2012 employing a contractor assigned primary responsibility for assuming the current collection contracts, and developing RFP's for the CCU automated collection system and permanent outside collection contractors. Other duties and responsibilities included developing proposed staffing requirements, and outreach to District agencies to explain the legislation and the role of the CCU. Additionally, responsibilities included accounting for delinquent funds collected by existing outside collection contractors utilized by DMV, UMC and UDC.

In June 2013, OFT hired a CCU Manager, who assumed responsibility for ramping up the CCU by hiring staffing to fill approved positions, providing outreach to the agencies mentioned above, creating policies and procedures used to enhance DMV and other agency collections conducted by the CCU, and numerous other duties and responsibilities linked to ramping up the CCU.

- Have all of the agencies transferred their old debt to the CCU?

Response:

District agencies for which the CCU is actively collecting delinquent debts (DMV, UMC, and UDC) actively transfer qualified debts to the CCU for collection. Other District agencies have transferred qualified debts to the General Ledger for future collection by the CCU. It has been determined for accountability purposes, that no other agency debts be transferred to the CCU until its automated system is operational, and outside collection contracts awarded. Since the CCU is currently operating without a system of record, it is not practical to require agencies to transfer its delinquent debts to the CCU.

- If not, please identify which agencies, and reasoning provided for the delay.

Response:

The OFT/CCU has determined that it is not feasible to pursue delinquent debts from all applicable District agencies until its automated system of record is operational and the outside collection contractors are awarded contracts. Currently, internal operations are conducted manually. While the CCU to maintains accurate records and accounting, additional agency debt inclusion would prove problematic without an automated system of record.

- Have all of the agencies established a process to regularly transfer new debt to the CCU? If not, what is the recommended approach to accomplish this?

Response:

Currently, DMV, UMC and UDC transfer delinquent debts to the existing outside collection contractors. DMV transfers new placements weekly and the others monthly. Once CCU has its automated system operational and its collection contracts awarded, the collection contractor(s) will work with each of these agencies to have delinquent debts transferred from the agency to the collection contractor. The contractor will scrub the data and send a clean, updated file to the CCU Ajility system of record. Additionally, it is the intent of the CCU to meet and work with each applicable agency to establish a Memorandum of Understanding outlining the business and IT requirements, and to have the collection contractor work with each agency to either interface with the agency system or to accept placement files/records manually.

- How much did the CCU collect in FY 2014? What was projected to be collected? How much has the CCU collected in FY 2015?

Response:

FY2014:

Gross Revenue Collected: \$31,474,357
CCU Collection Expenses: (4,057,366)
Net CCU Collections: \$27,416,991
Projected as Misc. Revenue for FY 14: \$23,000,000

FY2015 (YTD):

Gross Revenue Collected: \$8,871,806
CCU Collection Expenses: (\$1,196,082)
Net CCU Collections: \$7,675,724

NOTE: The YTD report generally is one-month behind.

Additionally, Effective October 1, 2014, legislation was passed creating the Traffic Adjudication Amendment Act of 2014. While it is too early to fully assess the potential impact on CCU-DMV collections, it is presumed that collections will decrease in FY2015 and forward as a result of the act.

- Is the CCU is doing a better job at collecting the outstanding debt verses agency debt collection efforts before the CCU was created? How is CCU performance measured?

Response:

Currently, the CCU is managing the existing collection contracts utilized by DMV, UMC and UDC. The CCU will be assuming responsibility for the collection of NSF, which is owned by OFT. Until the CCU has its automated system of record operational and collection contracts awarded, it would be unfair to state that the CCU is doing better or worse than the agencies or to gauge its performance. OFT/CCU is fully committed to adhere to legislative requirements

and utilize all available collection tools to increase revenue collections to a level acceptable by Council, but it's not practical to assume this level of performance prior to system implementation and collection contract awards being issued.

To date, the CCU's primary internal focus is on the collection of outstanding DMV debts. The CCU has implemented policies and procedures specifically as it relates to DMV debts which provide dollar thresholds and expanded number of months to pay on installments. Additionally, the CCU has exercised its authority to settle a debt. This greatly assists customers who qualify and are in need of a fresh start, and allows the District to collect revenue from outstanding tickets (District and Non-District) that previously resulted in little, if any collection in the past. The CCU has successfully collected full payment on outstanding DMV citations that are over twenty-years old. Settlements are at very little cost to the District, and have accounted for over \$500,000 in revenue during FY2014. The CCU has also worked with OPRS to create a process to attach District employee salaries. This process will be fully automated when the CCU system is implemented.

The CCU has worked with the Recorder of Deeds to develop a process to file liens, and coordinated with OAG to ensure resources are available to file civil suits and obtain judgments on both District and non-District debtors. CCU collection contractors will also have legal staff available to coordinate with OAG based on CCU policies for pursuing civil suits and judgments.

The CCU has established an internet site, a central telephone number, and secured customer service walk-in space with OTR. The CCU has made it a priority to provide quality and professional customer service and to resolve debts in a firm, but fair manner. The CCU will continue to enhance policies and procedures aimed at securing the maximum revenue without compromising the integrity of OCFO or the District as a whole.

Legislation has afforded the CCU with numerous collection tools at its disposal. It is the intention of the CCU to aggressively implement and utilize every collection tool available to the unit, once the automated system is operational.

In summation, the CCU has worked proactively and has implemented policies and procedures specifically aimed at increasing revenue collections, while providing quality and professional service to its customers. The CCU has made vast improvements to the overall process of identifying and collecting delinquent debts through a firm, but fair collection methodology. The expectation is that the process will continue to improve now and in the future.

37. With regards to the Exemptions and Abatement Information Analysis (TAFA) requirement, how many completed analyses have been performed? Have any TAFA's with the new guidance included in the Fiscal Year 2014 budget been performed yet (if so, please indicate which ones). Regarding section 47-4702, please provide a copy of the Exempt Property Use Report (FP-161). For the April 1, 2014 deadline to file - how many

properties were required to file under 47-4702? Required to file under 47-1007? How many properties did not file by the deadline? How many properties requested an extension? Are there any properties still outstanding (did not file)? How many properties had their status revoked? Are properties able to complete this form and file electronically? If not, is this an option being considered for the future? (if so, when; if not, why not?) As you know, my office expends a tremendous amount of time reinstating long-standing real property tax exemptions for our city's nonprofits when OTR revokes them. It is my hope that, going forward, OTR will work with these important organizations to help them understand how to comply with the exemption requirements rather than simply revoking their abatements. I understand that this outreach has already begun, please comment on these efforts, and thank you for your work on this.

Response:

With regards to the Exemptions and Abatement Information Analysis (TAFA) requirement, how many completed analyses have been performed?

The OCFO completed eight TAFAs in FY2014.

Have any TAFA's with the new guidance included in the Fiscal Year 2014 budget been performed yet (if so, please indicate which ones).

None of the FY2014 TAFAs were impacted by the new guidance. The TAFA for the "District of Columbia Soccer Stadium Development Act of 2014" (completed in early FY2015) was the first TAFA impacted by the new guidance.

Regarding section 47-4702, please provide a copy of the Exempt Property Use Report (FP-161).

A copy of the Exempt Property Use Report (Form FP-161) for required filers under section 47-4702 is attached (see **Attachment 37**).

For the April 1, 2014 deadline to file - how many properties were required to file under 47-4702? Required to file under 47-1007?

For the April 1, 2014 deadline, 159 property owners were required to file the Exempt Property Use Report under section 47-4702. In addition, 2,464 property owners were required to file the Exempt Property Use Report under section 47-1007.

How many properties did not file by the deadline?

467 property owners did not file the Exempt Property Use Report by the April 1, 2014 deadline. Owners were notified by telephone, email, and U.S. mail that their report had not been received. The number of non-filers was reduced to 14.

How many properties requested an extension? Are there any properties still outstanding (did not file)?

Three property owners requested an extension of time to file the Exempt Property Use Report for the April 1, 2014 deadline. As of February 9, 2015, six property owners as of are outstanding in filing their Exempt Property Use Report that was due on April 1, 2014.

How many properties had their status revoked?

14 property owners had their exemptions revoked for not filing the required Exempt Property Use Report that was due on April 1, 2014.

Are properties able to complete this form and file electronically? If not, is this an option being considered for the future? (if so, when; if not, why not?)

Property owners are not yet able to file the Exempt Property Use Report electronically.

As you know, my office expends a tremendous amount of time reinstating long-standing real property tax exemptions for our city's nonprofits when OTR revokes them. It is my hope that, going forward, OTR will work with these important organizations to help them understand how to comply with the exemption requirements rather than simply revoking their abatements. I understand that this outreach has already begun, please comment on these efforts, and thank you for your work on this

OTR shares your belief that property owners should be treated fairly in the administration of real property tax exemptions, and its process of reviewing exemptions incorporates a number of features designed to accomplish this goal. While OTR is committed to affording exemptions to properties that are entitled to them under the law, OTR works to ensure that only eligible properties receive exemptions, because the burden of taxation that would otherwise be borne by an exempt property must be shared among the city's other taxpayers. It should be noted that the District's real property tax laws have been carefully drafted to specifically identify the limited types of property that can be exempted.

Furthermore, an exemption, once granted, is not permanent, and property can only be maintained in an exempt status as long as it complies with the applicable requirements. In fact, the law directs OTR to remove an exemption if a property becomes ineligible. For instance, the property becomes ineligible if it is not used in a manner that qualifies for exemption. This can occur if a change in the actual use of the property occurs, such as if it is rented to a commercial tenant, or if a court decision, such as *District of Columbia v. Cato Institute*, 829 A.2d 237 (D.C. 2003), clarifies the law and establishes that a particular type of use that may have previously been considered to qualify in fact does not. In such instances, revocation of an exemption is appropriate and warranted, even if the exemption has been in place for a considerable length of time.

OTR strives to apply the law as it has been written by the Council and interpreted by the courts, and can only exempt a property if the law allows it. To this end, not only does OTR carefully review new applications for exemption, but it also conducts a program of ongoing review of properties previously exempted, chiefly through examining the annual use reports filed by property owners. In the event that a review indicates a property may no longer qualify for exemption, OTR generally contacts the property owner to solicit

additional information and to afford the owner the opportunity to present any additional matters it wishes in support of continued exemption. The agency may schedule an inspection of the property to better understand its use and to obtain additional information from the owner or manager. OTR may also conduct additional research by reviewing the property owner's website and publicly available federal exempt organization tax returns to better understand the activities of the property owner and the use of the property. The review process thus affords the property owner the opportunity to provide input for OTR to consider and is designed to produce decisions based on the best information obtainable.

In some cases, the review establishes that the property continues to qualify for exemption. In other cases, however, the review concludes that the property does not meet the applicable requirements for exemption and that revocation, or partial revocation, of the exemption is warranted. All proposed revocations of exemption are referred to OTR legal counsel for further review. These reviews are independent and rigorous. If review by counsel determines that the property is ineligible for exemption, counsel prepares a detailed letter explaining the legal and factual basis for the determination, which is sent to the property owner or its representative. This letter lays out the underpinnings of the determination and provides guidance to the owner in deciding whether to contest the revocation.

The revocation letter advises the owner that OTR's decision can be appealed to the Superior Court of the District of Columbia within 6 months. Unlike other tax appeals, payment of the tax is not required to challenge a denial of exemption in the Superior Court. In some cases, taxpayers have availed themselves of this remedy, but other taxpayers have sought legislative relief instead. In such cases, OTR is available to explain the basis for its action and to provide technical assistance in the legislative process if requested, such as by aiding in the process of drafting bills, providing testimony at hearings, and assisting other components of the OCFO in preparation of fiscal impact statements (FIS) or Tax Abatement Financial Analyses (TAFA).

38. Please provide the Committee with an updated Debt Statement chart. This should contain our GO obligations, income tax bonds, COPs, TIF and PILOT debt, other tax-supported debt, as well as other debt.

See **Attachment 38**.

39. Please provide a breakdown of sales tax collections by type for FY2014 or TY2014 where applicable (and indicate which).

Response:

Sales Tax Category	FY 14 Tax Revenue (000s)
General Retail	\$467,096
Alcohol-(off premise)	\$51,500
Restaurant & Bars	\$360,844
Other Tobacco (non-cigarettes)	\$1,205
Hotel	\$226,026
Parking	\$65,350
Alcoholic Beverages (excise tax)	\$6,234
Cigarette	\$33,205
Motor Vehicles	\$47,578
Motor Fuel Tax	\$22,961

40. I want to ask now about FY2016 real property tax assessment. Please provide a neighborhood assessment breakdown for all four property classes. Which classes saw a decline, and what is the comparison to assessments from last year for each class?

Response:

See **Attachment 40**.

41. During oversight hearing in the fall of 2012, you mentioned the creation of a Residential Real Property Tax Advisory Council, done at my request – what is the status of that? Who is on it? When do they meet? What has been discussed? What is the format? What changes have resulted from this group?

Response:

The Residential Real Property Tax Advisory Council meets quarterly. The next meeting is scheduled to be held in June.

The OTR Deputy Chief Financial Officer and Real Property Tax Administration staff have used these meetings to discuss real property tax legislation and real property tax initiatives, such as the tax sale, billings, assessment notices, and upcoming events.

The principal change resulting from the Residential Real Property Advisory Group was the creation of a program to identify potential beneficiaries for the Senior Citizen Deduction by comparing the income tax reported on returns of those 65 or older to the Homestead file and sending such individuals notices of potential entitlement the Senior Citizen deduction. The Senior Citizen deduction results in eligible individuals receiving a 50% reduction in real property taxes, a very significant benefit. Since the program began in 2012, OTR has notified 3,048 senior citizens of their potential entitlement to this benefit.

This program highlighted the need for eligible citizens to know of the benefit in advance of their 65th birthday, so as not to lose the first year of the benefit since benefits cannot be allowed retroactively. To effectuate this advance notice, OTR is now asking taxpayers to provide their birth dates on individual income tax returns. By the end of 2014, OTR will be able to provide advance notice to potentially eligible seniors.

The Residential Real Property Advisory Group has interacted with OTR management and real property tax administrators in ways that have provided OTR with insight as to how the public perceives real property tax issues.

The group members are:

Jeff G. Berman
Elizabeth Blakeslee
John Goodman
Barbara Kahlow
Rob Low
Terry Lynch
Philip Pannell
Nancy Macwood
Robert Pohlman

42. For income tax returns, in addition to direct deposit or check, you also included the option to receive a debit card. What measurements will be used to determine the success of offering debit cards? Separately, on the payment side, it has been brought to my attention that federal taxes may be paid on a debit card with a flat fee of \$3.99 – can the District consider switching to such a payment system rather than using a vendor that charges a potentially much larger percentage for debit card payments as if they were credit cards? How many pre-paid/debit cards were issued for income tax refunds for 2013? Please also provide a list of the fees, transactions or otherwise, that are associated with these cards, and describe any plans to reduce or eliminate these fees.

Response:

The Office of Tax and Revenue began offering taxpayers the option of receiving individual income tax refunds by Citibank prepaid debit cards at the beginning of calendar 2014. During calendar 2014, 18,467 prepaid debit cards were issued for income tax refund payments, transmitting \$12,260,204. As a result of the program, the District

government saved an estimated \$60,000, or about \$3.25 for each card, in foregone checking issuance and processing expenses.

For 2015, in response to taxpayer feedback, envelopes will bear a DC Government return address and the materials enclosed will more clearly indicate that the card is in payment of a District tax refund. The program is being expanded to cover a refund in any amount up to \$3,000. In 2014, the program was limited to refunds between \$25 and \$2,500.

The fees associated with the cards are as set forth below.

DC Tax Refund Visa Prepaid Cards Citi® Prepaid Services Fees

Description	Fee
Point-of-Sale (POS) Transactions (Signature & PIN)	No fee
In-Network ATM Withdrawals	No fee
ATM Balance Inquiry	No fee
First Bank Teller Cash Withdrawal	No fee
Out of Network ATM Withdrawals	\$1.75 per transaction
ATM/Point-of-Sale (POS) Decline	\$0.25 per transaction
Bank Teller Cash Withdrawals (After First Free)	\$2.95 per transaction
International ATM Withdrawal (Outside of the US)	\$3.50 per transaction
International Transaction	3% per transaction
Replacement Card (Standard Delivery)	\$4.95 per card
Replacement Card (Express Delivery)	\$13.00 per card
Account Maintenance Fee (applies after 6 months)	\$3.00 per month

Overwhelmingly, District taxpayers who elect to receive prepaid debit cards and use them as intended incur no fees. The fees are set pursuant to a contract between the District and Citibank which is in effect through 2016. Fees will be re-negotiated upon renewal of the contract.

On the payment side, OTR uses Official Payments Corporation to support electronic payment options including credit/debit card and e-checks. Official Payments charges a low, flat rate for e-check payments that is absorbed by the District, and a charges a percentage of the payment amount to the taxpayer who wants to use a credit or debit card. OTR has not had a long term contract for services with Official Payments for the last two years, as we anticipated that we would be able to make other payment options available to taxpayers through our banking partners. An RFP will be issued for these services at the end of this month, and a flat fee option is included in the requirements. We are also making inquiries with Official Payments about near term changes to this rate as it applies to debit card transactions. The lack of a long term agreement makes it more difficult to negotiate rates comparable to those offered to the IRS and states that may also be paying for additional payment platform services. At the same time, OTR is continuing to work on additional payment options for our taxpayers as part of the Modernized ITS project.

43. While I was pleased to note the continued absence of any material weaknesses in the Yellow Book for the CAFR last year, please provide an update to the finding identified last year (#2013-02, and 2013-03) along a status of the implementation of any remedial action, and please discuss any findings or concerns identified in 2014.

Response:

See **Attachment 43**.

44. Please identify how many filers used DCfreefile during tax year 2013, and describe any efforts to increase the usage of DCfreefile among the eligible District population.

Response:

The number of taxpayers filing through the Freefile Alliance was 5,471. OTR also offered, for those who did not qualify to file through the Freefile Alliance, free Fillable Forms. There were 3,723 that used this product, for a total of 9,194. Efforts to increase the usage of DC freefile has been includes: notices on the website, a prominent notice on the D-40 booklet cover, and two separate notices within the booklet instructions.

45. What is the outlook for the next quarterly revenue estimate?

Response:

ORA will issue an updated forecast at the end of February.

46. The inheritance and estate tax is a consistent “wild card” in our budgeting process, as we never know how much revenue this tax will collect. Would it be easier for budgeting purposes if we repealed this tax?

Response:

The estate tax is just one of many revenue sources that exhibit a high degree of volatility (capital gains and deed taxes are other examples of high volatility revenue sources). It is also a relatively small share of total revenue (a little less than 1% compared to the 5% share for the deed taxes). As such, eliminating it would have little or no impact on overall revenue forecasting accuracy. The estate tax generated \$32 million in revenue in FY 2014 and is currently forecasted to generate \$32 million in revenue annually for fiscal years 2015-2018, which would be the fiscal impact of its elimination.

47. Who are our Financial Advisors? Please indicate which contracts were renewed in 2014, and any new contracts for Financial Advisors in 2014 or 2015.

Response:

See **Attachment 47**.

48. Have there been any delays in DC Filing software for income taxes? If so, why, and what can we do to help? What is the status on efforts to accept and handle electronic filings for all tax payments? For any and all other correspondence the agency receives/requires?

Response:

There have not been any delays in the approval of forms for DC filing software over the past two years. Currently, software vendor submissions are being reviewed and approved within seven business days of receipt. The ability to accept the filing of all tax payments is part of the new MITS solution.

OTR continues to receive correspondence from taxpayers via e-mail. The implementation of MITS will allow us to explore the feasibility of accepting supporting documentation via eTSC (the electronic taxpayer service center). The current tax system does not support this option.

OTR is also launching an online payment portal for DC Business Improvement Districts (BIDs) beginning in March. With this payment tool, BID customers will be able to make payments online, using an integrated payment portal within the OTR public web page. This functionality should facilitate faster and less error-prone transfer of payments to the BIDs.

49. Please list all task forces and/or commissions that the Chief Financial Officer or senior management are members of, and please list the designee (if applicable).

Response:

- Events, DC (formerly the Convention Center and Sports Authority)—Jeffrey DeWitt and John Ross
- Destination DC—John Ross
- Mayor’s Streetcar and Governance Taskforce—John Ross
- Ward Five Industrial Development Taskforce—Betsy Keeler
- Disability Taxicab Advisory Committee— Tiffanie Horsely

- D.C. Retirement Board—Jeffrey Barnette
- Not For Profit Hospital Board—Stephen B. Lyons
- Board for Review of Anti-Deficiency Violations—Angell Jacobs (Chair) and Timothy Barry
- Emergency Preparedness Council— Timothy Barry and James Glymph
- Single Audit Oversight Committee—Timothy Barry (Chair)
- District of Columbia Financial Literacy Council—Clarice Wood
- Open Government Task Force—David Tseng

50. What is the implementation plan for budget autonomy? What are key milestones, and what actions are being put in place to make sure they are met? What are any outstanding issues that may remain, and what actions have you taken/are you taking to address them?

Response:

There is currently no legal authority to implement budget autonomy, and the Federal District Court has enjoined enforcement of the Charter amendment. The legal case is before the United States Court of Appeals. However, the CFO did consent to the Mayor’s filing for a delayed decision.

51. What were the effects, if any, on the October 2013 Federal Government Shutdown? What were any additional costs to the District, not specifically budgeted for in our budget and financial plan? (please list specific items, and amounts).

Response:

The shutdown had a moderate impact on tax revenue collections in October of 2014. Withholding taxes on income were down 2.6 %, or about \$2 million, compared to October of 2013. Many federal employers were retroactively paid for the hours lost during the shutdown, so the brunt was likely felt by smaller businesses that shut down or reduced labor. The hospitality industry was likely the most impacted by the shutdown. Hotel revenues declined by \$3 million in October of 2014 compared to the previous year.

52. What is the status of obtaining and implementing a new telephone system for OTR?

- Date of RFP issued, if needed?
- Schedule for implementation?
- How old is the current telephone system?

Response:

The Office of Contracts is currently negotiating a contract with the vendor that was selected to perform the upgrade. The Request for Quotation was issued in November

2014. Upgrade of Telephony System is scheduled for completion in August 2015. The current system is 15 years old.
53. Please provide a list of improvements contemplated for implementation at OTR and the status for each. Include discussion and status of support functions such as technology, human resources, training and procurement, and an update on items referenced in your responses from FY13/FY14. Reference any analysis conducted or studies on continuous improvement for the agency.

Response:

This information will be presented at the Performance Oversight Hearing on Wednesday, February 25.

54. What, if anything is needed to improve lockbox functions used by the OCFO? Are there legislative fixes you would suggest or recommend? Is legislation needed to require payment to vendors or employees via electronic means only? If so, please provide draft language.

Response:

Lockbox functions are working well and OTR is not aware of any need for legislative fixes.

There is nothing needed to improve lockbox functions used by OCFO. OFT would like to reduce the use of lockboxes as they are costly. It would be more cost effective, improve data update accuracy, and convenient to citizens to employ additional electronic means for the District to receive revenue such as a central web portal to collect all District revenue types.

Based on the OCFO's legal review, requiring electronic payments to vendors or employees does not need to be legislated. OFT recommendations include requiring all contracts – OCP and OCFO - to include a provision requiring electronic payments. In addition, OFT recommends that all new and current District employees be paid via direct deposit, if they have a bank account, or via a debit card, if they do not. For employees who do not have bank accounts, OFT can coordinate a banking day to invite banks, with a District presence, to have representatives onsite to open accounts.

55. What is the timeline to have a new form and instructions for Schedule H available for public review and comment; and new Frequently Asked Questions (FAQ)? Please describe any delays in publishing the final version of the form and FAQs.

Response:

Drafts of the new Schedule H were made available for comment to certain software developers, the National Association of Computerized Tax Preparers (NACTP) and to the

representative of the District's Community Tax Aid beginning in early June 2014. The final version of the Schedule H was completed and posted on OTR's website in late November 2014. The updated Frequently Asked Questions (FAQs) was posted to the website on February 12, 2015. OTR considers the FAQ a living document that will require periodic updates as other questions come to our attention.

56. Please provide a status update on the changes made to the motor vehicle fuel tax (Subtitle VII, CC of the Fiscal Year 2014 Budget Support Act of 2013). What is the outlook on projected revenue based on the wholesale floor of \$2.94? Do you expect collections to be greater than what is included in the FY2014 budget and financial plan? And, if so, by how much?

Response:

The formula for Motor Vehicle Fuel Tax imposed on wholesalers was changed to be 8% of average wholesale price (rounded to the closest one half cent)(not including federal and state taxes) of regular unleaded gasoline (not including gas disposed of or used for commercial purposes) for the applicable base period. OTR issued Notice 2013-07, dated October 7, 2013, providing guidance that the motor fuel tax rate is unchanged.

57. Please discuss any changes you have made to the tax sale process in light of the emergency and permanent legislation I authored the past two years. What portions of the legislation remains subject to appropriations? Will you work with the executive to fund this legislation? Please also discuss any other administrative changes you have made or would recommend going forward. Thank you for your collaboration with my staff in refining my legislative proposal, Bill 20-23, and I hope we are able to better balance our need to collect taxes with our responsibility to protect our most vulnerable residents going forward.

Response:

The below changes were instituted as a result of the District Real Property Tax Sale Temporary Act of 2013 (DC Law 20-55), the Residential Real Property Equity and Transparency Amendment Act of 2014 (DC Law 20-141), Fiscal Year 2015 Budget Support Second Congressional Review Emergency Act of 2014 (DC Act 20-566), Fiscal Year Budget Support Clarification Congressional Review Emergency Amendment Act of 2014 (DC Act 20-587), and The Market-Based Sourcing Inter alia Clarification Emergency Amendment Act of 2014 (DC Act 20-585).

1. At the time of registration, a potential purchaser, including a natural person or business entity, must certify that such purchaser: 1) is not more than one year in arrears in any jurisdiction in the payment of *in rem* taxes not being contested in good

- faith; and 2) has not been convicted in any jurisdiction of a felony involving fraud, deceit, moral turpitude, or anti-competitive behavior. OTR has updated its buyer registration form to reflect the changes.
2. The tax sale threshold was \$2,000 for the July 2014 tax sale. Thus, no property was sold for less than \$2,000 in delinquent taxes. For the July 2015 tax sale, the threshold will be \$2,500 for any property that is not vacant land. The threshold for vacant land will be set separately.
 3. The May 2015 tax sale notice will be amended to follow the new form provided in the Code.
 4. The 2-week notice provided by OTR before the tax sale will be amended to follow the new form provided in the Code.
 5. OTR did not sell any property at the July 2014 tax sale that had been sold in the past 4 years where the case is active, and will continue this procedure for subsequent tax sales.
 6. The tax sale purchaser may appeal the valuation of Class 3 or Class 4 Properties that were sold at the discount sale.
 7. Interest paid to tax sale purchasers from the July 2014 tax sales and prior will continue to be 1.5%/month. The interest rate for delinquent property owners remains at 1.5%/month.
 8. Interest for tax sale purchasers begins to accrue August 1st. Interest ceases during the month when the taxes are brought current; this means that real property taxes, vault rents, BID taxes and certified taxes are paid to current.
 9. To redeem, the redeeming party must pay all real property taxes, all BID taxes, all vault rents and any tax that was certified by an external agency.
 10. If the property owner properly pays to the District taxes and expenses to within \$100, the taxes are deemed paid for purposes of redemption.
 11. The post-tax sale notice mailed by OTR after the July 2014 tax sale and subsequent tax sales must be posted to the property by the tax sale purchaser at least 45 days before a complaint is filed. This notice cannot be posted until at least 4 months from the date of the tax sale. This notice will be posted to OTR's Web site for download purposes. OTR's notice follows the form provided in the Code.
 12. OTR will cancel any tax sale where the May and post-tax sale notices were not sent to the property owner.
 13. Legal fees are capped at \$1,500, subject to allowances for protracted litigation. Additionally, the following most common fees are allowed: title search of up to \$300; recording the certificate of sale; post-tax sale posting of \$50 and other posting; court filing; service of process; second title search of \$75; newspaper publication; and , postage. Other fees are allowed as specified in the statute.
 14. Low-income seniors may defer any delinquent taxes, but legal fees are still owed to tax sale purchasers. OTR has created a deferral application form, has mailed the form

to approximately 800 taxpayers that may be eligible, and has marketed the program and form at several senior community meetings.

15. The tax sale purchaser must notify OTR when a complaint is filed in Superior Court.
16. OTR will not pay legal expenses in the event of a cancellation if the title examination and review of bankruptcy records show the property was sold within the past 4 years, a violation of a bankruptcy stay or other errors as may be prescribed by regulation.
17. For homestead properties or properties occupied by heirs and beneficiaries as principal residences that are not redeemed, the court will order a sale of the property by a trustee. After allowed expenses, the purchaser shall be entitled, to the extent available, to the lesser of 10% or \$20,000 of the remainder.

No portion of the legislation remains subject to appropriations. The legislation as ultimately enacted is funded. OTR has not identified any administrative issues necessitating legislative changes at this time, but we will reach out to the Committee and work collaboratively with the Committee should such arise.

58. Please provide a copy of any updates to agency or department rules and regulations, and provide a brief description of the nature of the update.

Response:

Legal: Whenever a determination is made by the OCFO General Counsel that external legal assistance is needed and appropriate, the General Counsel shall select the law firm(s) to be procured by the OCFO. (see **Attachment 58A**)

Pension Plan Contracts: The application of the procurement/CBE laws to the pension plan contract and the related rules are being developed at this time. Contracts awarded by the OCFO relating to the 401 and 457 Benefit Plans are not contracts awarded on behalf of the District for the procurement of District goods and services. The funds in the Benefit Plans belong to the participants, so they are neither District funds nor District appropriated funds; thus the District essentially acts as a trustee for these funds. (See **Attachment 58B**)

59. How much revenue has been collected from the new tobacco tax structure (VII, Subtitle B, FY 15 BSA)? Please provide a breakdown of collections by specific product type.
 - What was the first calculation used for the calendar quarters beginning after September 30, 2014.

Response:

The first quarterly filings under the new tax structure were due January 21, 2015. Based on preliminary collections data, the first quarter saw revenue jump to over \$1.04 M compared to revenues of \$218,000 a year ago. We do not have a breakdown

at this time as the returns are still being processed, but will provide one as soon as the returns are in.

- Please provide a copy of any directives, correspondence, or notification to relevant parties regarding this change.

Response:

The notices sent to tobacco retailers and wholesalers are attached (see **Attachment 59B**).

- What is the outlook for the reevaluation on this (scheduled for 3/31/2015)?

Response:

As with all revenues, we will monitor these closely and reevaluate them as needed in our quarterly revenue updates.

60. Please provide your outline and plan for publishing the tax preference review for the 10/1/2015 report to be published in the DC register, as referenced in Title VII, Subtitle N of the Fiscal Year 2015 Budget Support Act of 2014. Please include in your answer your determination for on-cycle tax preferences/expenditures to be reviewed for the 2015 report; and all factors considered in determining which tax preferences would have a summary review versus a full review.

Response:

Subtitle VII-N of D.C. Act 20-424, the “Fiscal Year 2015 Budget Support Act of 2014,” requires the CFO to evaluate all tax preferences on a five-year cycle. The OCFO must examine the purpose of each tax preference, estimate the lost revenue, assess whether the preference is meeting its goals, offer recommendations for improving the effectiveness of the tax preference, and make recommendations to retain, modify, or discontinue the tax preference.

Our plan is to cover different policy areas each year so that D.C. policymakers can examine related tax expenditures as a group and assess their cumulative impact on policy goals. During this first cycle of review, which will be completed by October 1, 2015, we intend to cover housing tax preferences because (1) affordable housing is a high priority for the Mayor and Council, and (2) there are so many (28) housing-related abatements, credits, and exemptions in the D.C. Code.

With regard to summary review, we intend to follow the statutory requirements by performing a summary review for tax preferences that meet some or all of the following criteria: (1) a low estimated revenue loss (\$100,000 or less per year) which has remained stable over time, (2) a small number of claimants (10 or less) which has remained stable

over time; and (3) lack of legislative or administrative proposals to modify or repeal the provision in at least five years.