

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



**Jeffrey S. DeWitt**  
Chief Financial Officer

April 21, 2015

The Honorable Jack Evans  
Chairman  
Committee on Finance & Revenue  
Council of the District of Columbia  
The John A. Wilson Building  
1350 Pennsylvania Avenue, NW, Suite 106  
Washington, DC 20004

Dear Chairman Evans:

This is in response to your letter dated April 13, 2015, regarding questions for the upcoming public oversight hearing on the Fiscal Year 2016 budget of the Office of the Chief Financial Officer scheduled for April 22<sup>nd</sup>. Responses to the questions posed in your letter are enclosed for your review.

If you require additional information, please feel free to contact me.

Sincerely,

A handwritten signature in black ink that reads "Jeffrey S. DeWitt". The signature is stylized and cursive.

Jeffrey S. DeWitt

Enclosures

**Fiscal Year 2016 Budget and Financial Plan Questions**  
**Office of the Chief Financial Officer**

1. Please provide the Agency's budget worksheets for FY14, FY15 and FY16, including the following information:
  - a. For FY14, please include the amount approved and amount actually spent.
  - b. For FY15, please include the amount approved, revised proposal, and spending to date.
  - c. For FY16, please include the amount requested. Please also discuss the roles of the more than 30 new FTEs contemplated by the 2015 budget request.

*Please provide this information by object class/comptroller source group. Please include the number of FTEs. **Please subtract the figures for the program "Budget Development and Execution," since that function is under the jurisdiction of the Committee of the Whole.***

**Response**

See **Attachment 1a, 1b, and 1c.**

2. Please list all program enhancements, technical adjustments, and reductions included within the FY16 Agency budgets. Please break down these costs by program. In addition, please provide a narrative description and rationale for each, along with associated dollar amounts and FTEs (if applicable).

**Response**

See **Attachment 2** which details proposed program enhancements, technical adjustments and reductions to the OCFO FY 2016 budget after the Current Services Funding Level adjustments were applied. Budget changes to Local, Grant, Special Purpose Revenue and Intra-District Fund Types are shown in separate sections with affected program areas noted.

3. Please provide a list of all projects for which your agency currently has capital funds available, or for which capitals funds are requested in FY15. Please include in this list a description of each project, the amount of capital funds available for each project, a status report on each project, and planned remaining spending on the project. If capital funds have been reduced for a given project, please state the affect of the reduction.

**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 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 \$44.5 million authorized in future budget periods. The project will restart once full funding has been allocated.

- **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 2014 with the project kickoff meeting held October 6, 2014. The first tax types to be implemented are Individual Income Tax, Estate, and Fiduciary.

Current available funding for the project totals \$18,420,697 with additional approved funding of \$31 million included in the District's Capital Plan for FY 2016 and beyond.

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

- **CIM01 – Capital Infrastructure Planning Model**

This new project will provide better information on current capital projects as well as future capital and infrastructure needs. The project will identify funding needs to maintain current infrastructure, analyze the capacity of different funding options, and review the impact of policies on the District’s debt cap and pay-as-you-go levels. The project will examine the need for alternate financial options such as public/private partnerships and infrastructure trusts. A total of \$1,500,000 is requested in FY 2016 for this project.

4. Please provide a list of all space that will be used by the Agency, including: facility name, location, square footage, description, leased/owned designation, rent, and other fixed costs that are included in the cost of rent (utilities, security, etc.). Please note any space changes.

**Response**

**See Attachment #4** which details the current use of space by the Office of the Chief Financial Officer (OCFO). The Department of General Services (DGS) manages all fixed costs for the agency, including rent, utilities, and security.

5. Will the proposed FY16 budget allow the Agency to meet all statutory mandates? If not, please explain.

**Response**

The OCFO believes the proposed FY2016 budget, as proposed, allows the Agency to meet all statutory mandates.

6. What is the status of the integrated tax system (ITS) modernization/upgrade? What is the timeframe for completion, and what action is expected to occur in FY16?

**Response**

The Modernized Integrated Tax System (MITS) project commenced October 1, 2014. The OCFO has contracted with FAST Enterprises (FAST) to implement, over 4 years, phased rollouts of the GenTax system, a COTS integrated tax system successfully implemented in multiple state and foreign revenue agencies.

We have gone through the definition (requirements) and base configuration (configure District business rules) stages for the initial taxes to be converted and are now developing the GenTax general ledger, training, interfaces, workflow, test



scenarios, notices and reports. We are partnering with city and other agencies we interface with to ensure a smooth transition to the new system.

Additionally, we are building a hosting platform for MITS, with FAST providing the platform and managed services to ensure we have an efficient, reliable, secure, IRS Publication 1075 compliant method of hosting. We are partnering with OCTO to ensure reliable, secure and timely communications from the FAST primary data center in Denver, CO and the FAST disaster recovery data center site in Chicago, IL. The CFO and OCTO are soliciting an independent third party firm to perform a system test and evaluation (ST&E) of end-to-end transmission of data from FAST to the OCTO demarcation point to the CFO at 1101 4<sup>th</sup> St., SW.

During FY2016, we will go live with rollout Phase I for personal income, fiduciary and estate taxes on October 7, 2015. This will be followed by the commencement of phase two, consisting of corporate and unincorporated franchise, partnership and withholding taxes for a fall 2016 rollout. Phase three will follow with the various sales taxes and motor fuel tax, to roll out in the fall of 2017. Finally, phase four will complete the project, rolling out the remaining miscellaneous taxes and fees in the fall of 2018.

7. You provided a summary of your IT systems in your 2014/2015 performance oversight responses (Q9). Please comment on what, if anything is planned for FY16 for SOAR, the telephone call center upgrade (will it be completed by August 2015), and the CCU.

## **Response**

### **SOAR (System of Accounting and Reporting)**

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. The system will continue to be supported through FY 2015 and into FY 2016. The OCFO Strategic Plan, issued in August 2014, includes an initiative to “implement a new enterprise-wide financial reporting, accounting and budgeting system, and enhance availability of information to the public.” Based on the results of the Oracle Insight process in FY14 and the Cherry Bekaert workshop in FY 2015 on the role of financial leaders in enterprise system implementations. Implementation of the new system until after needed capital resources have been identified and allotted to the project.

### **Telephone Call Center Upgrade**

We anticipate piloting the new system in August 2015, while running in parallel with the existing system, and we anticipate cutting-over completely to the new system by Fall 2015.

### **CCU**

CCU is implementing its software system in addition to running daily operations. The projected go-live date is the end of the calendar year.

8. Please explain/justify the GO Bond proceeds from 2012, 2013, 2014 for SOAR Replacement being reallocated towards other capital projects? What does this mean for the SOAR Replacement project and its timeline? Please also include a status of the project in your answer.

**Response**

**GO Bonds Proceeds**

There was a small reprogramming in October 2011 to the Department of General Services. Since that time, no other funds have been reprogrammed or reallocated from the SOAR Replacement project.

**SOAR Replacement Project (DCSRP)**

The project continues to be involved in go-forward and readiness planning activities. As requirements are the foundation of any system implementation, the District aims to present potential integrators with a set that is complete, clear and concise, verifiable, viable, traceable, and utilizes consistent language/terms. We are completing an initial review of our plans for project support to ensure that sufficient subject matter expert resources are devoted to the project while maintaining ongoing operations. Based on the results of the Oracle Insight process in FY 2014 and the Cherry Bekaert workshop in FY 2015 on the role of financial leaders in enterprise system implementations. Implementation of the new system until after needed capital resources have been identified and allotted to the project.

9. Is legislation necessary to require all grant awards provided by the city be provided by electronic means? If so, please suggest draft legislative language for enabling and implementing. What would be the savings certified/realized by the city on this initiative?

**Response**

Sending grant payments from the city to recipients would provide some small savings, however, I don't believe you would need to legislate that aspect. The agency handling the grant would just require the grantee to provide banking information so the district could make an ACH payment. We would need to study the grant programs in greater detail to determine what the potential cost saving might be.

10. Is legislation necessary to require all contracts and employee paychecks be provided by electronic means? If so, please suggest draft legislative language for enabling and implementing. What would be the savings certified/realized by the city on this initiative? **OFT/OGC**

**Response**

With respect to contract payments, no legislation is required. The OCFO's Office of the General Counsel is currently reviewing the extent to which current District law



clearly provides legal authority to require all District employees to receive their pay by electronic means.

There are both tangible and intangible savings in transitioning from check to electronic payments. The federal government has set a precedent by converting to electronic payments only. The cost of a paper check to the District is \$3.454 and the cost of an ACH to fund direct deposits or prepaid cards is \$.056 per ACH. In addition, there are intangible savings realized when check payments are delayed or require replacement due to the USPS, loss, or theft. Electronic delivery also completes the District's preparedness for disaster recovery to resume payment of employees and vendors expediently. Below is an estimate of checks mailed based on FY13-14 including both employee and vendor check payments.

There were 328,610 paper checks issued that cost the District \$1,135,019. If they were issued electronically, the cost would have been \$18,402 or a tangible savings realized of \$1,116,617.

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

### **Response**

It is still too early to say what the economic outlook will be for the next revenue estimate. But here are the latest economic and revenue trends from our monthly *Economic and Revenue Trends*.

#### **Labor Markets & Employment**

- February wage and salary employment in DC was up by 12,300 (1.6%) from a year earlier as measured by the 3- month moving average.
- Federal government employment in DC for February was down by 667 (-0.3%). By contrast, the private sector gained 11,700 (2.3%).
- In February, DC resident employment was up 12,046 (3.5%) from a year earlier (3-mo. moving average).
- In the December quarter, estimated wages of DC residents grew 4.8%. DC Personal Income grew 4.1%, the highest year over year quarterly growth rate in 2 years.
- In February the seasonally adjusted unemployment rate rose to 7.8%.
- In February the increase of 2,100 jobs in Professional and technical services (except for legal) was more than that of any other sector. (3-month moving average.)
- Six other private sectors grew by more than 1,000 jobs: retail (1,933), employment services (1,733), health (1,667), other business services (1,667), organizations (1,200) and food services (1,000).

## **Housing and Commercial Office Market**

- The 3-month moving total of single family home sales in February was up 0.5% from a year earlier, while the average selling price was 3.7% higher. Sales over \$1 million accounted for 16.7% of sales.
- February condominium sales were down 9.5% from last year as measured by the 3-month moving total, but the average selling price was 12.1% higher.
- For the quarter ending December the vacancy rate in Delta Associates' broader office market measure was 6.9%; the Cushman and Wakefield measure was 12.2% (both without sublet).

## **Hospitality**

- In February the 3-month moving total for hotel room days sold was 6.6% above a year earlier. The average room rate was up 0.2%, and revenue rose 6.8%.
- Employment in food services was 2.2% more in February than a year earlier as measured by the 3-month moving average. Hotel employment was up 0.9%, and retail was 9.2% higher.

## **Revenue Trends**

- For the 12 month period ending February, total gross tax collections (before any transfers of dedicated sources) were \$354.7 million (5.9%) more than in the prior year. For the last 3 months they were 9.9% above last year.
- Individual income tax collections were 6.6% above last year for the 12-months ending February; withholding was 6.6% higher. For the past 3 months, withholding was up 6.9%.
- General sales tax collections were 5.9% above last year for the 12-months ending February. For the past 3 months, they were 10.1% above last year.
- Deed tax collections in February (12-mo. avg.) were up 22.1% from last year; for the past 3 months they were up 13.9%.

12. Are there any items or requests regarding agency budget, legislation or otherwise, which you made which were not included in the budget submission, and would be helpful if they were included? Are there items that are included that should be considered for removal?

### **Response**

There were no items included in the budget submission for the OCFO agency that should be considered for removal.

13. I commend you, and particularly the Office of Tax and Revenue for your increased residential outreach for the completion of recent income taxes. How did the public drop in sessions go? How many folks attended total? At each event? What feedback



did you receive at/ or about these events? Is this something you plan to continue in FY16? Change or enhance (if so how)?

**Response**

Attendees were generally pleased that they could resolve their tax matters outside of OTR’s normal business hours. Many seniors were appreciative that the satellite locations were steps away from their homes – alleviating the commute to OTR’s offices in Southwest. Given the very low turnout, OTR is reviewing options for future years. Data on participation is below:

**2015 Tax Resolution Day Statistics**

<b>Date</b>	<b>Time</b>	<b>Location</b>	<b>Number of Participants</b>
March 4	4PM – 8PM	Anacostia Library, 1800 Good Hope Rd., SE	5
March 11	4PM – 8PM	Shepherd Park Library, 7420 Georgia Ave., NW	8
March 18	4PM – 8PM	Deanwood Recreation Center, 1350 49 <sup>th</sup> St., NE	13
March 25	4PM – 8PM	Martin Luther King Library, 901 G St., NW	17

14. How many open positions do you have? Please also provide a listing of all open positions and the status of hiring for each. Is it possible to find some one-time reductions in your 2016 budget to account for the length of time it will take to fill these vacancies?

**Response**

**Attachment 14** lists 83 positions currently vacant in the OCFO. We continue to actively recruit for all open positions with much recent success: OCFO on board strength has grown to 892, a net increase of 40 over the past 9 months. Just since January 2015 we have filled 59 open positions, although the net reduction in vacancies was less than that due to the selection of internal candidates in many cases. The FY 2016 budget proposed for the OCFO includes vacancy savings of \$4.3 million that have already been reduced from the funding allowed for personal services. Increasing that amount may jeopardize our ability to recruit and fill our positions, many of which directly generate revenue. In addition to our ongoing recruitment efforts, the OCFO is engaged in several significant projects not currently outlined in the budget, which includes providing funding for OIG’s Commerical Real Property Assessment process audit that will include a best practices study of the

industry and an agency-wide risk assessment. Any additional vacancy savings, if any, are needed to support these efforts.

15. Please provide the necessary enabling legislation language for the District to implement 529 ABLE (Achieving a Better Life Experience Act) accounts. What is the timeline necessary and to be expected to implement this account as a savings account option for those who qualify? Please also identify any funding challenges or anticipated or expected fiscal impacts to the city, or confirm there are none.

**Response**

Calvert Investments is the contractor that manages the District 529 program and we have started discussion with that firm to manage the ABLE program, to-date we haven't received their response to our questions regarding the implementation of the program. ABLE is a new national program so they are vetting the business impacts and will provide us an implementation timeline and an expense profile. We will then need to work with the contract office to actually determine if we are able to modify the 529 program contract. If not, we will need to execute an RFP to procure a new firm to run this program. We will report to the committee the feedback as soon as it becomes available.

16. How is the Central Collections Unit doing? What is the status of any and all RFPs related to the Central Collections Unit? Please include date RFP posted, and anticipated award date.

**Response**

Please see attached (Attachment 16) the CCU Council report issued in March 2015 for the latest CCU updates. The Central Collections Unit currently has one RFP pending award for Delinquent Debt Collection Services. The RFP was advertised September 30, 2014. The Anticipated Contract Award date is May 2015.

17. With regard to our banking code, how do you assure that under current practice the level of collateralization is sufficient to support the deposits in the event of a default? And, what are the costs and staffing requirements associated with managing the current forms of collateral (securities) for public DC deposits?

**Response**

OFT assures collateralization is sufficient by maintaining a daily reconciliation report between the District's bank balances and the respective collateral maintained at the Federal Reserve and The Bank of New York – Trust Department. Collateral is required to be maintained by the respective Banks at 102%, which is the industry standard, to protect against market changes to the value of the collateral. If a collateral shortfall occurs, the Banking Officer contacts the Bank to require additional collateral to be placed immediately. In the event of a Bank default, the collateral



maintained at both the Federal Reserve Bank and the Trust Department of the Bank of New York would be liquidated.

The collateral monitoring is performed by 2 staff members: the Banking Officer and banking analyst. The banking analysts obtains and reconciles daily all of the bank account balances and collateral reports. She prepares the final report and alerts the Banking officer of any deficiencies. The Banking Officer also reviews the report and validates the reconciliation is correct or, if needed, calls the Banks requesting additional collateral. There are no direct costs to the District to maintain the collateral.

18. I have long advocated for a repeal of the estate tax. What are our collections under this tax so far this year, and how does that compare with our past projections?

**Response**

See table below.

Actuals	2013	2014	2015*
ESTATE TAXES	\$ 39,700,361	\$ 32,122,986	\$ 18,508,948
			<i>* YTD through March</i>
PROJECTIONS	2013	2014	2015
ESTATE TAXES	\$ 50,000,000	\$ 39,700,000	\$ 32,123,000

19. Please summarize the contents of any recent audits and any changes you have made pursuant to recent audits.

**Response**

See Attachment 19.

20. Please provide an update on how you plan and are able to implement Bill 20-23? What, if anything, remains outstanding and needs to be addressed? Additionally, how big could the potential liability be with regard to the Coleman case?

**Response**

The below changes have been or are being instituted as a result of the Fiscal Year Budget Support Clarification Temporary Amendment Act of 2014 (DC Law 20-179), which is the latest version of Bill 20-23, the Residential Real Property Equity and Transparency Act of 2013 (DC Law 20-141):

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 is being amended to follow the new form provided by District law.
4. OTR is actively developing a forbearance application for homestead properties where the amount that would be sold is \$7,500 or less, or for which there is a demonstration of reasonable hardship.
5. The 2-week notice provided by OTR before the tax sale will be amended to follow the new form provided by District law.
6. OTR did not sell any property at the July 2014 tax sale that had been sold in the past 4 years where the case was active. OTR will continue this procedure for subsequent tax sales.
7. Tax sale purchasers may appeal the valuation of Class 3 or Class 4 Properties that were sold at the discount sale.
8. Interest paid to tax sale purchasers continues to be 1.5%/month. The interest rate for delinquent property owners remains at 1.5%/month.
9. Interest for tax sale purchasers begins to accrue August 1<sup>st</sup>. Interest ceases during the month when the taxes (including real property, vault, BID and certified taxes) are brought current.
10. To redeem, the redeeming party must pay all real property, BID, vault rents and any tax that was certified by an external agency.
11. If the property owner properly pays to the District taxes and expenses to within \$100, the taxes are deemed paid for purposes of redemption.



12. 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 to foreclose on the right of redemption 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 downloading purposes. OTR's notice follows the form provided by District law.
13. OTR will cancel any tax sale where the May and post-tax sale notices were not sent to the property owner.
14. Legal fees are capped at \$1,500, subject to allowances for protracted litigation. Additionally, the following most common fees are allowed: title searches of up to \$300; recording certificates of sale; post-tax sales posting of \$50 and other postings; court filings; service of process; second title searches of \$75; newspaper publications; and postage. Other fees are allowed as specified in District law.
15. 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, mailed the form to approximately 800 taxpayers who may be eligible, and has marketed the program at several senior community meetings.
16. The tax sale purchaser must notify OTR when a complaint is filed in Superior Court.
17. 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.

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.

The potential liability in the case *Coleman through Bunn v. D.C.*, No. CV 13-1456 (EGS), in the U.S. District Court for the District of Columbia, is approximately \$7,250,000.

21. Are there any items or requests regarding agency budget, legislation or otherwise, which you made which were not included in the budget submission, and would be helpful if they were included? Are there items that are included that should be considered for removal?

**Response**

There were no items included in the budget submission for the OCFO agency that should be considered for removal.

22. Please confirm the language in the following subtitles of the Fiscal Year 2016 Budget Support Act is sufficient to perform the actions intended. If not, please provide suggested edits. Please also discuss any other Budget Support Act subtitles the Budget Request Act, if necessary.
- Title II (D) Creative and Open Space Modernization Amendment
  - Title IV (F) DCPS Sponsorship Opportunities Amendment, Section 4053
  - Title VI (B) Unlawfully Parked Vehicles Amendment
  - Title VII (C) Sales Tax Amendment
  - Title VII (D) Married Filing Separately Standard Deduction Amendment
  - Title VII (E) Low Income Credit Amendment
  - Title VII (F) Vapor Product Amendment
  - Title VII (G) Notice of Proposed Audit Changes Requirement

**Response**

- **Title II (D) Creative and Open Space Modernization Amendment:**

In general, this provision provides a real property tax abatement for Qualified High Technology Company (QHTC)-occupied property. It treats the QHTC as the person receiving the abatement if the QHTC is liable for the real property tax under its lease. This is generally the case if the lease is a net lease.

The abatement is to be certified by the Mayor, so it is the Mayor's responsibility to determine if a property and a tenant qualify and, if so, the amount of the abatement. OTR's responsibility under this provision is to update its records to reflect the abatement.

It would be helpful to include language in the statute specifying the content of the Mayor's certification so that OTR will have all of the information that it needs to implement the abatement. This provision might be along the following lines:

“(3) The Mayor shall certify to the Office of Tax and Revenue each taxpayer and property eligible for an abatement. The certification shall identify:

(A) The tax to which the certification applies;

(B) The specific taxpayer (including taxpayer identification number) and property (by square and lot or parcel or reservation number) entitled to the



abatement;

(C) The amount of the abatement to be allowed for each tax year or half tax year, if determinable by the Mayor;

(D) The amount expended on or value of the tenant improvements on which the real property tax abatement is to be based;

(D) The effective date of entitlement to the abatement;

(E) The date on which entitlement is to terminate; and

(F) Such other information as the Office of Tax and Revenue shall require to administer the abatement.”

▪ **Title IV (F) DCPS Sponsorship Opportunities Amendment, Section 4053**

We have concerns about the legal validity of this provision in the Budget Support Act because the legislation would require the CFO to deposit all proceeds from the sale by DCPS of advertisements and sponsorships for athletics and community events, to the credit of DCPS, “in the same manner as that used for donations under DC Code section 1-329.01.”

Section 321.09, however, is a Congressional act that authorizes an entity of the District government to accept and use a gift or donation if approved by the Mayor. The Council does not have the authority to amend the Congressional act to treat such revenues as gifts or donations. Therefore, these revenues would have to be deposited into the General Fund unless the Council enacts legislation to establish another fund into which these revenues can be deposited and used for DCPS operations. We recommend the Committee consider the following legislative language to address this matter:

“Sec. 4053. District of Columbia Public Schools Advertisements and Sponsorships Fund; establishment.

(a) There is established within the General Fund for the District of Columbia a special non-lapsing fund, to be designated the “District of Columbia Public Schools Advertisements and Sponsorships Fund” (“Fund”) to be used for the support of the operations of the District of Columbia Public Schools.

(b) All revenue from contracts for advertisements and sponsorships for athletics and community engagement events shall be deposited into the Fund, beginning October 1, 2015. (c) All funds deposited into the Fund, and any interest earned on those funds, shall not revert to the General Fund of the District of Columbia at the end of a fiscal year, or at any other time, but shall be continually available for the uses and purposes set forth in subsection (b) of

this section without regard to fiscal year limitation, subject to authorization by Congress.”

- **Title VI (B) Unlawfully Parked Vehicles Amendment**

The amendment amends D.C. Official Code §50-2421.03 by adding the following to the list of unlawful acts relating to parked vehicles: “a vehicle in violation of the posted parking restrictions at a parking facility owned by the Washington Metropolitan Area Transit Authority”. The proposed language is sufficient to perform the actions intended.

- **Title VII (C) Sales Tax Amendment**

Regarding the general sales tax increase proposal to 6% from 5.75%, there is an issue relating to the Verizon Center and legitimate theaters. In August 2009, the sales tax rate increased to 6%, which, prior to the legislation was 10% and would have increased the sales tax rate on the Verizon Center to 10.25% (Verizon Center specialized rate at 4.25% plus the regular sales tax rate at 6%). However the Council enacted legislation keeping the sales tax rate for Verizon Center sales at 10% (4.25% plus 5.75%) and keeping the sales tax rate on legitimate theaters at 5.75% as well.

The proposed legislation would again increase the Verizon Center sales tax rate to 10.25% and the sales tax rate on legitimate theaters to 6%.

Thus, assuming that it was intended not to increase the sales tax rates on the Verizon Center and legitimate theaters, clarifying legislation would need to be done. We note that the change in the use tax rate, in Chapter 22, was correctly changed to 6% , but there is no use tax issue with respect to the Verizon Center or legitimate theaters.

- **Title VII (D) Married Filing Separately Standard Deduction Amendment**

OCFO lawyers provided technical assistance in the drafting of this provision and have no suggested changes or further comment.

- **Title VII (E) Low Income Credit Amendment**

OCFO lawyers provided technical assistance in the drafting of this provision and have no suggested changes or further comment.

- **Title VII (F) Vapor Product Amendment:**

OCFO lawyers provided technical assistance in the drafting of this provision and have no suggested changes or further comment.

- **Title VII (G) Notice of Proposed Audit Changes Requirement**



OCFO lawyers provided technical assistance in the drafting of this provision and have no suggested changes or further comment.

23. In your FY14/FY15 Performance Oversight responses (Q5) you mentioned receiving feedback on additional technical training. What plans are included for FY16? Please also provide an outline and timeline of development and for implementing training. Please specify departments, type of training and a brief explanation of the training.

**Response**

The results of our training needs assessment indicated that the following technical training is suggested to best assist our staff fully perform the functions of their positions:

- General accounting as it relates to the continuous changes in GAAP and GASB pronouncements (will be offered to accountants in FY 2015).
- SOAR and CFO\$olve report writing for better data analyses and system utilization (will be offered to all financial staff FY 2015).
- Various business writing courses to include: writing statements of work, audit responses, investigative reporting and position papers (will be offered in FY 2015).
- Various Excel training from basic to advanced to assist in the creation and presentation of financial reports (currently being offered to all staff).
- Overview of the Financial Review Process to better prepare and assist with budget monitoring (offered in January 2015).
- Combined Reporting-specifically understanding the concept of unitary business income and combined reporting (initiated training to OTR staff with a year-end completion date).
- Federal Tax Accounting in order to better understand the contributing factors of a DC tax return (ongoing for the new Office of Tax and Revenue employees).
- Understanding updates to changes in federal and local tax filing requirements (continuous).

24. What is the status of the Appeals Tracking system that will be integrated with CAMA? (FY14/15 Performance oversight response Q10)

**Response**

The Appeals Tracking system is still in the procurement stage. The procurement action submission form dated March 15, 2015 has been submitted to the OCFO Office of Contracts and Procurement, and a contracting officer has been assigned to the project. Implementation is planned to be completed no later than December 2015.

25. As part of FY14/15 performance oversight, (Q15) you provided a list of special purpose revenue funds. Are there any funds that should be eliminated or consolidated? If so, please identify and explain why. Please include a discussion of the Central Collection Unit Delinquent Debt Fund and the Recorder of Deeds Automation and Infrastructure Improvement Fund in your response.

**Response**

All of the special purpose funds within agency AT0 have unique funding sources and are required to segregate these sources of revenue. None should be eliminated or consolidated at this time.

The Central Collection Unit Delinquent Debt Fund (CCU Fund) is budgeted to pay PS and NPS costs for the collection of delinquent debt district-wide by the OCFO Central Collection Unit (CCU), which operates within the OCFO Office of Finance and Treasury. Contingency contracts in which the vendor is not paid unless there are collections make up most of the NPS expenditures. CCU staffing costs and some CCU infrastructure, mostly IT support, are also funded from the Collection Fund. Only CCU expenses may be charged to the CCU Fund, which results in an excess of revenue over expenses for each year. Of that excess, 90% is returned to the General Fund, and 10% remains in the CCU Fund and is available for use in the following fiscal year if needed.

The Recorder of Deeds Automation and Infrastructure Improvement Fund is used exclusively to support IT and infrastructure improvements within the Recorder of Deeds. At this time the Recorder of Deeds is in the middle of a multi-year project to digitize records and facilitate use of cloud technologies with the aim of improved customer service and enhanced data storage efficiency. This revenue source exists because the title industry agreed to pay the additional surcharge on transactions if those funds were used to upgrade technology and quality of services at the Recorder of Deeds.

26. As a part of FY14/15 performance oversight, you provided responses to some follow up questions posed by Councilmember Grosso (3/26/2015 response to 3/4/2015 letter). Please comment on the status of and timeline for the following mentioned in your responses:
- A best practices study of real property assessment policies talked about with the business community? If funds are needed, have they been identified for FY16 or sooner, or available with existing resources?
  - An on-line appeals system for all property owners?
  - An in-house statistician, who will perform a comprehensive analysis of all major commercial sales?



### Response

- **A best practices study of real property assessment policies talked about with the business community? If funds are needed, have they been identified for FY16 or sooner, or available with existing resources?**

In coordination with the OIG, RPTA will be conducting a best practices study of the industry. We will use existing resources within the budget to fund this study. We plan to commence this study in FY 2015.

- **An on-line appeals system for all property owners?**

The online appeals tracking system implementation is planned for December 2015. The FY 2015 spend plan includes funding for the procurement of the system.

- **An in-house statistician, who will perform a comprehensive analysis of all major commercial sales?**

OTR posted and interviewed several candidates, and extended an offer to a Senior Appraiser (Market Analyst), who started on April 5, 2015.

27. Please provide a status update of the replacement schedule for capital assets, included in the Fiscal Year 2015 Budget Support Act of 2014 – Title I, Subtitle E, which is due by October 1 (creates a new section “§ 47-308.04. Replacement schedule for capital assets”). If this report is to be updated on an annual basis – what is an appropriate delivery date? October 1? If not, please suggest a reasonable annual date.

### Response

We expect to have the first iteration of this report completed by February 1, 2016. Annual updates will be done no later than February 1 of each year so it can be incorporated into the budget formulation process.

28. Should the Southwest BID be included in the Business Improvement Districts Transfer section of the proposed FY2016 Budget and financial plan? Please explain your response.

### Response

The budget chapter for the Business Improvements Districts Transfer listed the 9 BIDs that are included in the DCBID Council website. If there is another BID operating in the District and collecting revenues through the established mechanism with the Office of Tax and Revenue, that BID’s revenues would be handled through the IDO agency, even if it is not listed in the chapter. It is our understanding that at the time the agency chapter was prepared, the BID was still being finalized. The FY 2016 budget was increased from \$25 million in FY 2015 to \$28 million in FY 2016 in

anticipation of the BID becoming active in FY 2016 through the established mechanism.

29. Please explain the proposed enhancement to the OCFO budget of \$180,178 and 2 FTEs who provide legal, financial, and administrative services for the D.C. Lottery referenced on Page A-273.

**Response**

The OCFO provides various financial and administrative services to DC Lottery. These services are reimbursed through an annual cost assessment recorded in Special Purpose Revenue Fund 0619. The OCFO Office of General Counsel within the Agency Management program provides legal services to DC Lottery; this request includes one attorney position to address the multiple legal services requirements related to the DC Lottery. Also included in this request is one cashier provided by the OCFO Finance and Treasury program as necessary support for the mobile vendor operations of the DC Lottery.

30. Please explain the overall decrease of 3.2 FTEs to the Tax Administration as the reallocation of certain positions to other programs as explained on page A-273, and please identify which other programs.

**Response**

The OCFO Strategic Plan included several initiatives that required added resources; budget constraints did not permit local fund enhancements so we have reallocated from within the agency to meet these needs. Due to the increase in contract requirements, one Contracts Specialist FTE was reallocated to the OCFO Office of Contracts. Two additional positions were reallocated to the Agency Management program to support specific initiatives in OCFO Strategic Plan. These positions are: a Continuous Improvement Manager to support Strategic Initiative #9 “Implement a program of continuous improvement based on employee-driven process improvement teams”; and an IT Strategic Analyst for capital project & infrastructure planning to support Strategic Initiative #6 “Implement a long-range capital financing plan for the District.”

31. With regard to the proposed increase to the Finance and Treasury program to “augment service delivery for the management of certain District assets...” referenced on page A-272, please list, describe and explain these assets.

**Response**

This budget request includes an increase of three FTE positions funded by Special Purpose Revenue to support asset management. Two of the positions are needed in the Unclaimed Property Unit and one is for the Pension and College Savings Plan unit.



Growth in the District's unclaimed property inventory and resulting claims research has greatly increased workload in the Unclaimed Property Unit (the Unit). The District received about \$30 million in unclaimed assets in 2010; by 2014 that increased to \$61 million. Unclaimed property claims initiated grew from 6,885 to 10,534 during that same period. Initiating claims just begins the process; the staff must follow due process to ensure that the claim is properly researched and payment made if determined to be valid. A total of 1,733 claims were paid in 2010; claims paid increased to 2,526 in 2014. The two positions are needed to allow the Unit to fully execute the activities needed to properly process, safeguard and distribute assets received. These functions include the sale of securities, implementing eBay sales of safe deposit box items, and reviewing/auditing holder reporting to collect unreported revenue. All of these functions have increased in workload as evidenced by the measures reported above.

The complexity of the pension plans as well as added reporting requirements require the need for an additional FTE in the Pension and College Savings Plan group. The plans have increased in size from \$400 Million to over \$2.5 Billion in total assets. Additional requirements include: monthly asset certifications, preparation of annual reports, and quarterly meetings with vendors requiring more detailed data analyses and participant information. Timely reporting on pension activities is critical to meet the needs of stakeholders, including account management vendors, executive management, and legislative officials.

32. We've made several enhancements to Schedule H, but I understand there have been some issues this tax season (for Income Tax 2014) with regards to the change from the credit being based on total income to it being calculated on AGI, and what it means for taxpayers with \$0 AGI, and did not include non-taxable social security on the form. What steps is OTR taking to rectify these issues for this tax season and for next tax season? Are additional resources necessary? Please justify your answer.

### **Response**

The Council enacted significant changes to the Schedule H Homeowner's Tax Credit for tax year 2014, including a change to it being calculated on the basis of federal adjusted gross income. OTR made the appropriate changes to Schedule H and its instructions for tax year 2014. For the most part, the changes to Schedule H have worked smoothly.

The one issue, inherent in your question, that has surfaced relates to non-taxable social security income. OTR requests Schedule H applicants whose cash income after payment of reported rent is less than \$2,000 to document their income and /or rental payments. While Schedule H does have a line where nontaxable income, such as social security, could be reported, the instructions are not sufficiently explicit. As a consequence, some Schedule H credits have been unnecessarily delayed.

In order to expedite the payment of these credits, OTR staff is now being instructed to request taxpayers to provide copies of their Form SSA 1099's and not go to the trouble of amending their returns. OTR will rectify the issue for tax year 2015 by amending Schedule H to make it clear where social security and other non-taxable income should be reported.



## OFFICE OF THE CHIEF FINANCIAL OFFICER

(excluding the Office of Budget & Planning)

### FY 2014 Operating Budget, Expenditures, and FTEs

CSG	Comptroller Source Group Title	Approved Budget	Total Expenditure	Authorized FTEs
<b>01 - PERSONAL SERVICES</b>				
	11 REGULAR PAY - CONT FULL TIME	67,293,013	66,522,564	873
	12 REGULAR PAY - OTHER	341,228	620,505	12
	13 ADDITIONAL GROSS PAY	15,705	421,555	
	14 FRINGE BENEFITS - CURR PERSONNEL	14,603,494	14,138,501	
	15 OVERTIME PAY	108,353	630,875	
	99 UNKNOWN PAYROLL POSTINGS	0	0	
	<b>01 - PERSONAL SERVICES</b>	<b>82,361,792</b>	<b>82,334,000</b>	<b>885</b>
<b>02 - NONPERSONAL SERVICES</b>				
	20 SUPPLIES AND MATERIALS	389,882	290,018	
	31 TELEPHONE, TELEGRAPH, TELEGRAM, ETC	0	0	
	40 OTHER SERVICES AND CHARGES	6,574,681	6,405,539	
	41 CONTRACTUAL SERVICES - OTHER	29,709,330	28,670,164	
	50 SUBSIDIES AND TRANSFERS	187,789	0	
	70 EQUIPMENT & EQUIPMENT RENTAL	4,991,925	5,950,436	
	<b>02 - NONPERSONAL SERVICES</b>	<b>41,853,606</b>	<b>41,316,156</b>	
		<b>124,215,399</b>	<b>123,650,157</b>	

## OFFICE OF THE CHIEF FINANCIAL OFFICER

(excluding the Office of Budget & Planning)

### FY 2015 Operating Budget, Expenditures, and FTEs

CSG	Comptroller Source Group Title	Approved Budget	Current AY Expenditure	Authorized FTEs
<b>01 - PERSONAL SERVICES</b>				
	11 REGULAR PAY - CONT FULL TIME	75,182,836	36,507,256	914
	12 REGULAR PAY - OTHER	720,570	586,697	6
	13 ADDITIONAL GROSS PAY	51,250	145,384	
	14 FRINGE BENEFITS - CURR PERSONNEL	16,622,720	7,689,016	
	15 OVERTIME PAY	25,000	388,278	
	99 UNKNOWN PAYROLL POSTINGS	0	59,435	
<b>01 - PERSONAL SERVICES</b>		<b>92,602,377</b>	<b>45,376,066</b>	<b>920</b>
<b>02 - NONPERSONAL SERVICES</b>				
	20 SUPPLIES AND MATERIALS	416,857	135,805	
	31 TELEPHONE, TELEGRAPH, TELEGRAM, ETC	0	0	
	40 OTHER SERVICES AND CHARGES	12,678,884	6,615,842	
	41 CONTRACTUAL SERVICES - OTHER	54,290,308	8,672,259	
	70 EQUIPMENT & EQUIPMENT RENTAL	746,188	155,028	
<b>02 - NONPERSONAL SERVICES</b>		<b>68,132,238</b>	<b>15,578,935</b>	
		<b>160,734,615</b>	<b>60,955,001</b>	



## OFFICE OF THE CHIEF FINANCIAL OFFICER

(excluding the Office of Budget & Planning)

### FY 2016 Requested Budget and FTEs

CSG	Comptroller Source Group Title	Requested Budget	Requested FTEs
<b>01 - PERSONAL SERVICES</b>			
	11 REGULAR PAY - CONT FULL TIME	79,770,536	918
	12 REGULAR PAY - OTHER	1,015,061	10
	13 ADDITIONAL GROSS PAY	76,250	
	14 FRINGE BENEFITS - CURR PERSONNEL	17,139,777	
	15 OVERTIME PAY	0	
	99 UNKNOWN PAYROLL POSTINGS	0	
<b>01 - PERSONAL SERVICES</b>		<b>98,001,624</b>	<b>928</b>
<b>02 - NONPERSONAL SERVICES</b>			
	20 SUPPLIES AND MATERIALS	389,164	
	31 TELEPHONE, TELEGRAPH, TELEGRAM, ETC	0	
	40 OTHER SERVICES AND CHARGES	12,184,788	
	41 CONTRACTUAL SERVICES - OTHER	53,239,496	
	50 SUBSIDIES AND TRANSFERS	0	
	70 EQUIPMENT & EQUIPMENT RENTAL	678,842	
<b>02 - NONPERSONAL SERVICES</b>		<b>66,492,291</b>	
		<b>164,493,915</b>	

Office of the Chief Financial Officer - AT0  
Attachment #2

Program Enhancements, Technical Adjustments and Reductions Included in the FY16 Agency Budget

Enhancement Technical Adjustment Reductions	Type	Program	Amount of Request (\$)	FTE Request	Comments
<b>LOCAL FUND</b>					
CSFL Adjustments	Enhancement	All	\$ 4,766,070		Net impact of cost of living increase, fringe benefits, NPS and other adjustments.
Cost savings in nonpersonal services	Reduction	All	\$ (1,000,000)		Efficiencies resulting from e-filing of tax returns and other automation improvements
<b>TOTAL LOCAL OCFO</b>			\$ 3,766,070	0	
<b>SPECIAL PURPOSE REVENUE (SPR)</b>					
Services Provided to DC Lottery	Enhancement	MGT/OFT	\$ 180,178	2	Reimbursement for enhanced central services needed by DC Lottery: 1 attorney and 1 cashier
Treasury Asset Management	Enhancement	OFT	\$ 410,000	3	FTEs needed to respond to workloads in the management of unclaimed property (2 FTEs) and pension benefits (1 FTE)
SPR Adjustments	Reduction	Multiple	\$ (220,000)		Net impact of other adjustments to PS and NPS SPR budgets to reflect projected costs.
<b>TOTAL SPR OCFO</b>			\$ 370,178	5	
<b>INTRA-DISTRICT (I-D)</b>					
1 Treasury Operations	Enhancement	OFT	\$ 182,916	3	Increase for 3 cashier positions at agency sites
1 I-D Adjustments	Enhancement	Multiple	\$ 267,086	0	Net impact of other adjustments to I-D budgets to reflect projected costs.
<b>TOTAL I-D OCFO</b>			\$ 450,002	3	



## Facilities Listing - Office of the Chief Financial Officer

April 2015

Facility Name	Location/floors	Area/Sq. Ft.	Description	Lease / Own
Waterfront Station West	1101 4th Street, SW - Floors 1-8	251,526	OCFO Offices - Tax and Revenue, Treasury, CIO, Revenue Analysis, et al	Leased for 15 years commencing 3/2010
Waterfront Station East	1100 4th Street, SW -- Portions of floors 4, 6, 7 and all of 8	73,401	OCFO Offices - Financial Operations and Systems, Integrity and Oversight, PSJC, EDRC, et al	Leased for 15 years commencing 3/2010
John Wilson Building	1350 Pennsylvania Ave., NW -- Most of Floor 2	22,500	OCFO Exec Offices, Office of Budget and Planning	District facility
One Judiciary Square	Suites 400S, 410S, 420S	15,989	Office of Pay and Retirement Services	District facility

Psn Nbr	Title	Vac Stat	Grade	FTE x		Department Name
				Dist	%	
00001285	CHIEF TRAINING DEVELOPMENT	V		15	1	Mgmt & Admin/Fin Ops
00002757	Information Technology Special	V		14	1	Chief Information Officer - IT
00003385	Financial Reporting and Contro	V		15	1	Fin Operations & Sys
00005980	Supervisory Appraiser	V		14	1	Tax & Revenue - RPTA
00006696	Senior Auditor (Tax)	V		13	1	Tax & Revenue - CO
00006917	FINANCIAL MGR	V		14	1	Finance & Treasury
00006986	Financial Reporting and Policy	V		15	1	Fin Operations & Sys
00007550	PAYROLL SUPV	V		11	1	Fin Operations & Sys - PRS
00008427	Chief Appraiser	V		15	1	Tax & Revenue - RPTA
00008535	Auditor-Assessment Services Di	V		12	1	Tax & Revenue - RPTA
00008897	LEGAL INSTRUMENTS EXAMINER	V		8	1	Tax & Revenue - RPTA
00009717	Grant Analyst	V		14	1	Budget and Planning
00011129	Legislative Affairs Specialist	V		13	1	Executive Office
00011168	Information Technology Special	V		15	1	Chief Inform Officer - PPS
00011272	IT Specialist (System Analysis	V		13	1	Tax & Revenue - CO
00011345	LEGAL INSTRUMENTS EXAMINER	V		8	1	Tax & Revenue - RPTA
00011987	Capital Budget Administration	V		13	1	Budget and Planning
00012125	Information Technology Special	V		15	1	Chief Information Officer - IT
00012339	Budget Administration Analyst	V		14	1	Budget and Planning
00012404	ACCOUNTANT	V		13	1	Mgmt & Admin/Fin Ops
00013766	Information Technology Special	V		14	1	Chief Information Officer - IT
00014870	ACCOUNTANT	V		12	1	Fin Operations & Sys - PRS
00015322	Tax Examining Technician	V		7	1	Tax & Revenue - RPA
00015598	SUPVY CONTRACT SPEC	V		15	1	Mgmt & Admin/Fin Ops
00016012	Tax Examining Technician	V		8	1	Tax & Revenue - CO
00017004	Tax Examining Technician	V		9	1	Tax & Revenue - CO
00017112	Information Technology Manager	V		15	1	Chief Information Officer - IT
00017723	Assessment Program Specialist	V		11	1	Tax & Revenue - RPTA
00019979	PAYROLL TECHNICIAN	V		9	1	Fin Operations & Sys - PRS
00020570	ACCOUNTING TECHNICIAN	V		9	1	Tax & Revenue - RPTA
00020687	Information Technology Special	V		14	1	Chief Information Officer - IT
00020781	Pension Benefits Specialist	V		11	1	Fin Operations & Sys - PRS



00020891	AGENCY GROUP ACCOUNTANT	V	15	1	Fin Operations & Sys
00021155	Director, Financial Management	V	16	1	Budget and Planning
00021708	Returns Processing Clerk	V	8	1	Tax & Revenue - RPA
00021728	FILE CLERK	V	4	1	Fin Operations & Sys - PRS
00022175	Banking Analyst	V	12	1	Finance & Treasury
00022182	ADMIN OFFICER	V	12	1	Tax & Revenue - RPTA
00022253	STAFF ASSISTANT	V	11	1	Fin Operations & Sys
00022454	Support Services Assistant	V	8	1	Mgmt & Admin/Fin Ops
00023029	Interim Chief Risk Officer	V	16	1	Executive Office
00024346	Customer Service Representativ	V	7	1	Finance & Treasury
00024778	Appraiser	V	13	1	Tax & Revenue - RPTA
00025771	CUSTOMER SERVICE SPECIALIST/TE	V	11	1	Tax & Revenue - CSA
00027456	ACCOUNTING TECH	V	9	1	Fin Operations & Sys - PRS
00028106	Clerical Assistant	V	7	1	Tax & Revenue - CO
00028127	Audit Assistant	V	9	1	Tax & Revenue - CO
00028131	Senior Auditor (Tax)	V	13	1	Tax & Revenue - CO
00032488	Special Assistant	V	15	1	Budget and Planning
00035940	Legal Assistant	V	11	1	Executive Office
00037381	Senior Appraiser	V	13	1	Tax & Revenue - RPTA
00037386	Assessment Technician	V	7	1	Tax & Revenue - RPTA
00037387	Program Manager	V	15	1	Tax & Revenue - RPTA
00040318	CLERICAL ASSISTANT	V	7	1	Tax & Revenue - CO
00040328	REVENUE OFFICER	V	11	1	Tax & Revenue - CO
00040360	Information Technology Special	V	15	1	Chief Information Officer - IT
00040361	Administrative Assistant	V	11	1	Chief Information Officer - IT
00040368	Information Technology Manager/	V	15	1	Chief Information Officer - IT
00040381	CUSTOMER SERVICE SPECIALIST/TE	V	11	1	Tax & Revenue - CSA
00048176	REVENUE OFFICER	V	11	1	Tax & Revenue - CO
00048180	REVENUE OFFICER	V	11	1	Tax & Revenue - CO
00048186	Audit Assistant	V	9	1	Tax & Revenue - CO
00078283	Senior Appraiser	V	13	1	Tax & Revenue - RPTA
00078284	Appraiser	V	13	1	Tax & Revenue - RPTA
00078298	Tax Examining Technician	V	9	1	Tax & Revenue - RPA
00082535	Capital Asset Accountant	V	14	1	Fin Operations & Sys

00083702	CUSTOMER SERVICE SPEC	V	7	1	Tax & Revenue - CSA
00085427	Program Specialist	V	11	1	Tax & Revenue - RPTA
00085428	Quality Assurance Manager	V	13	1	Tax & Revenue - CSA
00085429	PROGRAM SPECIALIST	V	12	1	Tax & Revenue - RPTA
00085430	Program Specialist	V	11	1	Tax & Revenue - RPTA
00085431	Accounting Technician	V	11	1	Tax & Revenue - RPTA
00085432	Adjustment Specialist	V	11	1	Tax & Revenue - CO
00085433	Adjustment Specialist	V	11	1	Tax & Revenue - CO
00085434	Adjustment Specialist	V	11	1	Tax & Revenue - CO
00085435	Adjustment Specialist	V	11	1	Tax & Revenue - CO
00085436	Adjustment Specialist	V	11	1	Tax & Revenue - CO
00085437	REVENUE OFFICER	V	11	1	Tax & Revenue - CO
00085438	Program Specialist	V	11	1	Tax & Revenue - RPTA
00085439	Program Specialist	V	11	1	Tax & Revenue - RPTA
00085442	Fiscal Analyst	V	14	1	Revenue Analysis
00085443	Fiscal Analyst	V	14	1	Revenue Analysis
00085631	Tax Examining Technician	V	9	1	Tax & Revenue - RPA



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

Office of Finance and Treasury

March 30, 2015

The Honorable Muriel Bowser  
Mayor of the District of Columbia  
1350 Pennsylvania Avenue, NW – 6<sup>th</sup> Floor  
Washington, DC 20004

The Honorable Phil Mendelson  
Chairman  
Council of the District of Columbia  
1350 Pennsylvania Avenue, NW – Suite 504  
Washington, DC 20004

**Re: Office of Finance and Treasury Central Collection Unit 2015 Annual Report**

Dear Mayor Bowser and Chairman Mendelson:

In accordance with the requirements of Section 11 of the Delinquent Debt Recovery Act of 2012 (D.C. Official Code § 1-350.11), below please find the 2015 annual activity report for the Central Collection Unit (CCU).

**Background Information**

The CCU operates within the Office of Finance and Treasury (OFT). CCU's primary responsibility is to collect all delinquent debts owed to the District of Columbia, except those excluded by law (taxes, child support, and water and sewer debts) and deposit the amounts collected into the Delinquent Debt Fund (Fund). At the end of each fiscal year, the CCU must make the following transfers from the Fund: (1) to the Not-For-Profit Hospital (UMC), net of costs and fees, all delinquent debt collected for the Not-For-Profit Hospital Corporation; (2) to the University of the District of Columbia (UDC), net of costs and fees, all delinquent debt collected for the University of the District of Columbia; and, (3) to the General Fund of the District of Columbia all remaining delinquent debt collected (including accrued interest), net of all costs and expenses less 10% retained as a reserve for the next operating year.

**Administrative Information and Activity**

The CCU has made significant progress since the issuance of the last annual report. In accordance with the 2014 Strategic Plan of the Chief Financial Officer (CFO), specifically, Strategic Objective 1, "Improve Customer Service," the CCU opened a customer service walk-in

site in February 2014. When a CCU customer visits the Center, he/she is able to discuss delinquent debt resolution in a professional and private environment.

Additionally, the CCU's telephone system is being enhanced to mirror the current system used by the Office of Tax and Revenue (OTR) call center. This will provide better customer service through expeditious call handling and enhanced managerial involvement. Management will have the ability to monitor all phone activity, including volume and staffing coverage, especially during peak times. The system will be fully implemented in April 2015.

The CCU has both an internet and intranet site to ensure that customers are provided with up-to-date information regarding the CCU.

The CCU continues to monitor and adjust staffing to ensure quality customer service. Current staffing consists of a CCU Manager, Program Analyst, Accountant, Collections Supervisor, and three permanent Collections Representatives. In addition, the CCU will soon have two temporary Collection Representatives under contract, with the intention of making these positions permanent for FY 2016 or before, and creating a Lead Collections Representative position.

The CCU operates under the guidance and leadership of Deputy CFO and Treasurer, Jeffrey Barnette, and Associate Treasurer for Operations and Banking, Clarice Wood. Ms. Wood serves as the senior administrator and primary point of contact for the CCU, and oversees all business operations.

The CCU collection policies incorporate all collection tools afforded through legislation, vetted through the Office of General Counsel (OGC), and the OCFO's senior management. The CCU uses a governmental collection approach, with the goal of handling delinquent debtor cases in a consistent, firm, and fair manner, making case resolution decisions expeditiously based on the individual facts and circumstances. The CCU policies provide for expanded payment options of up to eighteen months for District residents, based on dollar thresholds, thereby allowing the customer to obtain services such as a renewed driver's license and/or registration.

The CCU provided many District and non-District residents with a "fresh start" by settling delinquent debts for less than the full balance due, resulting in collection of a substantial percentage of the total delinquent debt as payment in full. Factors considered prior to settling a delinquent debt include, but are not limited to, the age of the debt; prior collection efforts and success; and customer impact, such as removing an obstacle to obtain employment, incarceration, medical condition, and family hardship. There have been numerous instances where the CCU resolved outstanding delinquent debts through expanded payment options, second-chance payment agreements and settlements, resulting in the collection of aged delinquent debts owed to the District of Columbia. CCU settlements are at little administrative cost to the District and have resulted in the collection of thousands of dollars not being collected through other means.



Statistical results are provided later in this report

### **CCU Outside Collection Agencies and Automation**

The CCU continues to coordinate with the Office of Contracts and the OCIO to award two outside collection contracts and to implement its automated collection system. While this coordinated effort has not progressed as initially anticipated, the process is moving in a positive direction.

The CCU has recommended the awarding of contracts to two collection agencies. The Office of Contracts anticipates awarding contracts in April 2015, with a 90-day implementation period.

On February 5, 2013, Rev-Q, a Columbia Ultimate company, was awarded the contract to implement the "Ajility" automated collection system. Ajility will be the system of record for the CCU. With this system, the CCU will be able to operate at full capacity, and more importantly, will be able to aggressively work with the remaining District agencies and with the Office of Financial Operations and Systems (OFOS) to assign delinquent debts to the CCU.

The unanticipated delays in system implementation have occurred for several reasons, both internal and external. OCIO and the CCU determined that the initial data flow utilizing Ajility as the "hub" was problematic for configuration and data processing purposes. The CCU and OCIO revised the initial data flow process to place additional responsibilities on the collection agencies, since these agencies have the investment in systems and technical expertise to take on the added responsibility.

Externally, Columbia Ultimate encountered various personnel changes, primarily in the area of project management, and encountered difficulties providing a completed project plan acceptable to OCIO and to the CCU.

The implementation process has greatly improved. Columbia Ultimate, OCIO and the CCU are progressing in a positive mode, making decisions on remaining business requirements and system configurations. Based on the current progress and the percentage of completion of the project plan, Ajility is projected to be fully functional by December 2015.

Once operational, the CCU will be able to generate reports, including ad-hoc reports needed for analytics around collection results, and to be nimble in making policy and procedural adjustments. Additionally, the CCU will have the ability to work various account types internally, better manage payment agreements, settlements, payroll deduction agreements, District employee attachments, civil suits, lien filings, and offsets.

**Next Steps**

The CCU has a clear understanding of its mission. Upon implementation of the Ajility system and the collection agency contracts, existing District agency collections: Department of Motor Vehicles (DMV), UMC, UDC and OFT dishonored checks, are expected to increase substantially. In addition, the CCU will aggressively work with other District agencies to assign delinquent debt for collection. The CCU will work with the collection agencies to identify special projects to increase collections, such as identifying District employees not in compliance with "clean hands." The CCU will coordinate with OAG to initiate civil suits and pursue judgments, when appropriate.

The CCU has the ability to substantially reduce the delinquent debts owed to the various District agencies. Realizing the added value of a CCU, other jurisdictions around the country have passed legislation to form a CCU, while other jurisdictions such as the State of Maryland have recognized the value and added revenue for several years.

**CCU Statistical Data**

In FY2014, District agencies transferred delinquent debts to the General Ledger as follows:

Office of Finance and Treasury	\$15,224,258
Metropolitan Police Department	\$301,911
Fire and Emergency Medical Services	\$7,175
Department of Correction	\$177,358
Department of Education	\$374,726
Department of Motor Vehicles	\$70,014,466

**CCU collections in FY2014 and (YTD) through February for FY2015:**

FY2014:

Gross Revenue Collected:	\$31,474,356
CCU Collection Expenses	(\$4,027,366)
Net CCU Collections	\$27,446,990

FY 2015 (YTD) through February:

Gross Revenue Collected	\$15,682,161
CCU Collection Expenses	(\$2,018,327)
Net CCU Collections	\$13,663,834



**CCU Debt Settlements:**

FY2014:

- 281 customer accounts settled, resulting in \$435,275 revenue collected

FY2015 (YTD) through February:

- 153 customer accounts settled, resulting in \$220,293 revenue collected

**CCU Payment Agreements for FY2014 and FY 2015 (YTD) through February:**

The CCU payment agreement statistics for FY2014 begin in March 2014. Prior to March 2014, the payment agreements were handled by the OFT Cashiers assigned to DMV.

FY2014: Total CCU Payment Agreements: 2,156

FY2015 (YTD) through February: 1,505

**CCU FY2014 and FY2015 (YTD) through February collection activity:**

FY2014:

	<b>Gross Collections</b>	<b>Expenses</b>	<b>Net Collections</b>
DMV	\$29,938,038	\$3,943,454	\$25,994,584
UMC	\$221,288	\$49,314	\$171,974
UDC	\$147,909	\$34,598	\$113,311
Office of Pay and Retirement Services (OPRS)	\$22,382	\$0	\$22,382
Dept. of Corrections	\$8,637	\$0	\$8,637
Miscellaneous	\$1,136,102	\$0	\$1,136,102
<b>Totals</b>	<b>\$31,474,356</b>	<b>\$4,027,366</b>	<b>\$27,446,990</b>

FY2015 (YTD) through February:

	<b>Gross Collections</b>	<b>Expenses</b>	<b>Net Collections</b>
DMV	\$15,403,910	\$1,976,779	\$13,427,131
UMC	\$94,224	\$20,914	\$73,310
UDC	\$87,351	\$20,634	\$66,717
OPRS	\$9,637	\$0	\$9,637
Other Agencies	\$2,718	\$0	\$2,718
Miscellaneous	\$84,321	\$0	\$84,321
<b>Totals</b>	<b>\$15,682,161</b>	<b>\$2,018,327</b>	<b>\$13,663,834</b>

If you have questions regarding this report, please contact either Clarice Wood (202) 727-0760 or myself at (202) 727-6288.

Sincerely,



Jeffrey Barnette  
D.C. Deputy Chief Financial Officer and Treasurer



Please summarize the contents of any recent audits and any changes you have made pursuant to recent audits. OIO

The Office of Integrity and Oversight completed the following recent audits:

**FY2015**

**1- Audit of the Inmate Welfare Fund Financial Statements for the Fiscal Year Ended September 30, 2014**

**(OIO Code No. 15-01-01 IWF)**

**Status: Final Report Issued in January 2015**

The audit was conducted pursuant to D.C. Code §24-282(e) (2007). The objectives of the audit were to: 1) express an opinion on the financial statements of the Fund; 2) determine whether expenditures/costs charged to the Fund were proper; 3) determine whether internal controls over fund transactions and financial reporting were adequate; and 4) determine whether the Fund is administered in accordance with laws and regulations.

*The full text of the report is available at the OCFO website ([www.cfo.dc.gov](http://www.cfo.dc.gov)).*

**2- Audit of Selected District Agencies' Internal Controls over Recording Accrued Non-Personnel Expenditures**

**(OIO Code No. 14-01-10 OCFO)**

**Status: Final Report Issued in December 2014**

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

*The full text of the report is available at the OCFO website ([www.cfo.dc.gov](http://www.cfo.dc.gov)).*

**3- Verification of Agencies' Corrective Actions on Remediating FY 2013 CAFR Significant Deficiencies (Yellow Book)**

**(OIO Code No. 14-03-08 OFOS)**

**Status: Final Report Issued in November 2014**

The objective of this engagement was to determine whether agencies' planned corrective actions adequately address the external auditors' findings and recommendations reported in the Independent Auditors' Report on Internal Control and Compliance over Financial Reporting for the Fiscal Year Ended September 30, 2013.

**FY 2014**

**1- Review of Residential Real Property Tax Lien Sales – Part II Redeemed Properties  
(September 1, 2003 to September 1, 2013)  
(OIO Code No. 13-02-18B OTR)  
Status: Final Report Issued in October 2014**

This review was required by the Tax Lien Compensation and Relief Reporting Act of 2013 (*Act*). The review provided analysis of foreclosures and redemptions of residential properties with outstanding delinquent real property taxes of less than \$2,500. Additionally, this review analyzed the tax sale data to determine whether a taxpayer, at the time of the tax sale, was: age 60 or older, whether they were disabled, or a veteran.

*The full text of the report is available at the OCFO website ([www.cfo.dc.gov](http://www.cfo.dc.gov)).*

**2- Agency Self-Certification of the Status of Prior Years Audit Recommendations at the Office of Tax and Revenue (OTR)<sup>1</sup>  
(OIO Code No. 13-01-14 OTR)  
Status: Final Report Issued in September 2014**

The objective of this engagement was to follow-up on OTR's management corrective action plans to ensure that these plans were duly implemented. OTR provided a Self-Certification report on the status of 82 recommendations made by OIO in 11 audits and management letters issued during FYs 2011 and 2012.

*The full text of the report is available at the OCFO website ([www.cfo.dc.gov](http://www.cfo.dc.gov)).*

**3- Audit of the Office of Tax and Revenue's Interest Costs for the Delayed Return of Tax Refunds  
(OIO Code No.12-02-14 OTR)  
Status: Final Report Issued in September 2014**

The objectives of the audit were: 1) review of the internal control system to assure that the refunds, containing interest, were processed following applicable laws and regulation, that the related interest costs were accurately calculated, and the District's revenue were accurately safeguarded; and 2) determine whether OTR employed best practices in the resolution of the causes for delays in the processing of refunds.

*The full text of the report is available at the OCFO website ([www.cfo.dc.gov](http://www.cfo.dc.gov)).*

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<sup>1</sup> This engagement was originally titled "Follow-up Audit of Prior Years Audit Recommendations at the Office of Tax and Revenue (OTR)".

**4- Review of the Office of the Chief Financial Officer (OCFO) Agencies' Bank Account Management Process**

**(OIO Code No. 14-02-07 OCFO)**

**Status: Final Report Issued in August 2014**

The objectives of the review were: 1) determine the underlying causes for deficiencies noted during examining the Bank Account Management Process in FY 2013; 2) review existing OCFO Policies and Procedures for banking operations and assess whether OCFO agencies manage the District bank accounts in efficient and effective manner; 3) review the OCFO quarterly closing process with respect to bank account balances and transactions; and 4) verify whether OCFO agencies have taken adequate corrective actions to address the significant deficiencies cited in the Independent Auditor's Yellow Book for the FY 2013 CAFR audit.

*The full text of the report is available at the OCFO website ([www.cfo.dc.gov](http://www.cfo.dc.gov)).*

**5- Audit of Internal Controls over the Office of Finance and Treasury's Pension Fund Operations**

**(OIO Code No. 13-01-08 OFT)**

**Status: Final Report Issued in June 2014**

The objectives of the audit were to: 1) determine OFT's compliance with laws and regulations, policies and procedures governing the District's pension plans; and 2) assess sufficiency of internal controls over OFT's management of the pension plans.

*The full text of the report is available at the OCFO website ([www.cfo.dc.gov](http://www.cfo.dc.gov)).*

**6- Audit of Internal Controls over the Payroll System at the Not-For-Profit Hospital Corporation (United Medical Center – UMC)**

**(OIO Code No. 14-02-04 UMC)**

**Status: Final Report Issued in May 2014**

The objectives of the audit were to determine whether UMC: 1) established effective internal controls to ensure accuracy and integrity of the payroll system; 2) managed its timekeeping and payroll functions in an effective and efficient manner; and 3) complied with the requirements of applicable laws and regulations.

*The full text of the report is available at the OCFO website ([www.cfo.dc.gov](http://www.cfo.dc.gov)).*



**7- Audit of Changes in Real Property Class Codes by the Office of Tax and Revenue Real Property Tax Administration (RPTA)  
(OIO Code No. 13-01-05 OTR)  
Status: Final Report Issued in May 2014**

The objectives of the audit were to: 1) obtain and overall understanding of the class code changing process employed by OTR/RPTA and the impact on the real property's value and tax billing; 2) determine whether OTR/RPTA maintains a functional system of internal controls to ensure that all class code changes are appropriately reviewed, approved timely, and updated in the Integrated Tax System (ITS); and 3) verify on a test basis that the class code changes recorded in the ITS are supported by appropriate documentation.

*The full text of the report is available at the OCFO website ([www.cfo.dc.gov](http://www.cfo.dc.gov)).*

**8- Audit of Cash Handling Process over Promotional Events at the District of Columbia Lottery and Charitable Games Control Board  
(OIO Code No. 14-01-01 DCLB)  
Status: Final Report Issued in February 2014**

The objectives of the audit were to determine whether DCLB: 1) established effective internal controls over cash handling process for promotional events; 2) followed its promotional events cash handling policies and procedures; and 3) promotional events cash is properly and accurately recorded in a timely manner.

*The full text of the report is available at the OCFO website ([www.cfo.dc.gov](http://www.cfo.dc.gov)).*

**8- Audit of Internal Controls over the Examination Unit of the Recorder of Deeds (ROD) at the Office of Tax and Revenue (OTR)  
(OIO Code No. 13-01-14 OTR)  
Status: Final Report Issued in February 2014**

The objectives of the audit were to: 1) verify that internal controls for documentation processing assure timely and accurate processing of deeds and other related documents; and 2) determine whether revenues from recordation fees and taxes are properly accounted for.

*The full text of the report is available at the OCFO website ([www.cfo.dc.gov](http://www.cfo.dc.gov)).*

**10- Review of Residential Real Property Tax Lien Sales (September 1, 2003 to September 1, 2013) – Part I  
(OIO Code No. 13-02-18A OTR)  
Status: Final Report Issued in January 2014**

This review was required by the Tax Lien Compensation and Relief Reporting Act of 2013 (*Act*). The review addressed the *Act's* requirements for a broad review of the process used by OTR to

sell residential tax liens during the 2003 – 2013 period, and provided details analysis of the properties that were foreclosed upon, as a result of the sale of the tax liens.

*The full text of the report is available at the OCFO website ([www.cfo.dc.gov](http://www.cfo.dc.gov)).*

**11- Audit of the Inmate Welfare Fund Financial Statements for the Fiscal Year Ended September 30, 2013**

**(OIO Code No. 14-01-06 IWF)**

**Status: Final Report Issued in January 2014**

The audit was conducted pursuant to D.C. Code §24-282(e) (2007). The objectives of the audit were to: (1) express an opinion on the financial statements of the Fund; (2) determine whether expenditures/costs charged to the Fund were proper; (3) determine whether internal controls over fund transactions and financial reporting were adequate; and (4) determine whether the Fund is administered in accordance with laws and regulations

*The full text of the report is available at the OCFO website ([www.cfo.dc.gov](http://www.cfo.dc.gov)).*

**12- Proactive Integrity Survey of Internal Controls over the Cash Collection Process at the District of Columbia Public Library**

**(OIO Code No. 13-03-15 DCPL)**

**Status: Final Report Issued in November 2013**

The objectives of the survey were to determine whether DCPL: 1) had complied with applicable laws and regulations; and 2) implemented effective internal controls procedures regarding the cash collection functions to safeguard District assets from fraud, waste and abuse.

*The full text of the report is available at the OCFO website ([www.cfo.dc.gov](http://www.cfo.dc.gov)).*

**13- Verification of Agencies' Corrective Actions on Remediating FY 2012 CAFR Significant Deficiencies (Yellow Book)**

**(OIO Code No. 13-03-10 OFOS)**

**Status: Final Report Issued in October 2013**

The objective of this engagement was to determine whether agencies' planned corrective actions adequately address the external auditors' findings and recommendations reported in the Independent Auditors' Report on Internal Control and Compliance over Financial Reporting for the Fiscal Year Ended September 30, 2013.