

OFT (2)

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



Office of Integrity and Oversight

MEMORANDUM

TO: Lasana Mack, Deputy Chief Financial Officer
Office of Finance and Treasury

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

DATE: May 20, 2011

SUBJECT: Final Report on the Audit of Finance and Treasury's Cashiering Operations at the Main Office and DCRA. (OIO No. 10-1-08-OFT(a)).

Attached is the final report summarizing the results of our Audit of the Office Finance and Treasury (OFT) Cashiering Operations at the Main Office, DCRA Sites (Report.: OIO No. 10-1-08-OFT(a)).

OIO provided 3 recommendations to address the findings stated in the report, which if implemented, should strengthen internal operating procedures and promote efficiency. The OFT fully agreed with one of our recommendations. OFT did not concur with recommendations 2 and 3, and alternative solutions were not provided by OFT in its response to the draft report. Accordingly, we request that OFT reconsider its position and provide a revised response to OIO by June 20, 2011.

The full text of the Office of Finance and Treasury's response is included at Exhibit C.

We appreciate the cooperation and courtesies extended to our staff during the audit. Should you have any questions on this report or need additional information, please contact me or Mohamad Yusuff, Director of Internal Audit, at (202) 442-8240 or (202) 442-6433.

Thank you for your cooperation and assistance.

Attachments

cc: Natwar M. Gandhi, Chief Financial Officer
Angell Jacobs, Chief of Staff, OCFO
Kathy Crader, Chief Risk Officer, OCFO
Clarice Wood, Associate Treasurer, OFT

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

**AUDIT OF THE OFFICE OF FINANCE
AND TREASURY'S CASHIERING
OPERATIONS AT THE MAIN
AND DCRA SITES**

OFFICE OF INTEGRITY AND OVERSIGHT



**THIS REPORT IS AN INTERNAL DOCUMENT FOR OFFICIAL PURPOSES ONLY AND MAY NOT BE
RELEASED WITHOUT THE PRIOR WRITTEN APPROVAL OF THE EXECUTIVE DIRECTOR, OIO**

**Audit of the Office of Finance and Treasury's Cashiering
Operations at the Main and DCRA**

TABLE OF CONTENTS

EXECUTIVE DIGEST

OVERVIEW.....i
CONCLUSIONS.....i
SUMMARY OF RECOMMENDATIONS AND MANAGEMENT ACTIONS...i

INTRODUCTION

BACKGROUND.....1
OBJECTIVES, SCOPE AND METHDOLOGY.....2

FINDINGS AND RECOMMENDATIONS

FINDING 1: Deposits of Collections.....3
FINDING 2: Tracking of Cigarette Tax Stamps5
FINDING 3: OFT's SOP on Credit Card Over/Under Charge.....7

EXHIBITS

Exhibit A: Summary of Potential Benefits Resulting from Audit.....9
Exhibit B: Credit Card Charge Without Customer's Consent10
Exhibit C: OFT's Management Response.....11

**Audit of the Office of Finance and Treasury's Cashiering
Operations at the Main and DCRA**

ACRONYMS

(DCRA)	Department of Consumer and Regulatory Affairs
(DMV)	Department of Motor Vehicle
(MPD)	Metropolitan Police Department
(OCFO)	Office of the Chief Financial Officer
(OFOS)	Office of Financial Operations Systems
(OIO)	Office of Integrity and Oversight
(OFT)	Office of Finance and Treasury
(OTR)	Office of Tax and Revenue
(PO)	Purchase Order
(ROD)	Recorder of Deeds
(SOAR)	System of Accounting and Reporting
(SOP)	Standard Operating Procedures
(TBD)	To Be Determined
(UDC)	University of the District of Columbia

Executive Summary

OVERVIEW

As part of our annual plan, the Office of Integrity and Oversight (OIO) conducted two audits at the Office of Finance and Treasury's (OFT) Cashiering Operations for the fiscal year 2010. This is the first report covering OFT's cashiering sites (Nos. 1 and 2) as shown in Table 1 below. The purpose of this audit was to determine whether OFT complied with the applicable laws, regulations and internal policies and procedures; established internal controls to adequately safeguard assets from fraud, waste, and abuse; and adequately monitored cashiering operations. This report contains the audit results on two of the seven OFT's cashiering sites we inspected: the **Cashiering Main Office** located on 1101 4th Street, SW, 1st floor, and the **Department of Consumer and Regulatory Affairs (DCRA)** located on 1100 4th Street, SW, 2nd floor.

CONCLUSIONS

We concluded on the basis of testwork procedures performed that OFT's cash on hand at its Main Office and DCRA are fairly stated. However, this report contains three findings that detail conditions requiring corrective action.

- We uncovered a huge number of undeposited checks worth over \$15 million, collected from various District Agencies secured in the main vaults for several weeks or months at both locations, and the effect was untimely deposits and loss of earned interest;
- There was inadequate tracking of Cigarette Tax Stamps inventory worth approximately \$20 million, whereby the custodian could not give account of the dollar value or the unit count of the ending inventory;
- The Standard Operating Procedures (SOP) needs to be updated to include OFT's position on the treatment of over/under ring of credit card transactions. No current SOP was available or distributed to Cashiers at DCRA location.

SUMMARY OF RECOMMENDATIONS AND MANAGEMENT ACTIONS

We directed specific recommendations to the Deputy Chief Financial Officer/Treasurer, for necessary actions to correct the cited deficiencies, the recommendations center on:

- Ensuring checks are recorded and bank deposits are made timely in accordance with OFT's standard operating procedures.
- Establishing a subsidiary record and ensuring that Cigarette Tax Stamps Receipts are accurately recorded and accounted for.
- Performing periodic reconciliations of physical inventory count to book and instigating any significant variance.
- Establishing and maintaining effective internal control policy to provide reasonable assurance that the operations are being performed effectively and efficiently.

Executive Summary

- Updating Standard Operating Procedures to ensure that the Cashiers apply the proper procedures to credit card over/under ring credit card transactions in accordance with OFT directives.

A summary of potential benefits resulting from this audit is included in Exhibit A.

MANAGEMENT RESPONSES AND OIO COMMENTS

OIO provided 3 recommendations to address the findings stated in the report, which if implemented, should strengthen internal operating procedures and promote efficiency. The OFT fully agreed with one of our recommendations. OFT did not concur with recommendations 2 and 3, and alternative solutions were not provided by OFT in its response to the draft report. Accordingly, we request that OFT reconsider its position and provide a revised response to OIO by June 20, 2011.

The full text of the OFT's responses is included in Exhibit C.

Introduction

BACKGROUND

The Office of Finance and Treasury (OFT) provides over-the-counter payment collection services to District taxpayers, fee payers and agencies. It also operates several of these service centers throughout the District where funds are collected daily. These daily collection of receipts consist of all taxes, license, permit and fees, fines, forfeitures, refunds and other fees, charges, and miscellaneous revenue collected by the District government from the public, the Federal government, the courts, or any agency within the District government.

The sites listed in the table below depict the number of cashiering sites under the OFT control and supervision at the time of our audit. This report covered activities of sites No. 1 and No. 2 listed below.

Table 1: OFT Sites Visited By OIO Auditors

No.	Site	Collection Transactions
1	Main Office 1101 4th Street, SW, First Floor	Cigarette Stamps, Imprest Funds Check Cashing, Employee Cash Advances, Agency Bulk Deposits, and One Fund Contributions
2	DCRA 1100 4th Street, SW, 2nd Floor	License Applications, Special Permits, Bulk Deposits, Excise, Sales and Property Taxes
3	MPD/Adjudication 301 C Street, NW Room 1157	Walk-In Parking Hearings, Ticket, Boot and Tow Payments, Ticket Payment Plans, MPD Police Clearance, Fingerprinting, and Gun Permits
4	Main DMV Office 95 M Street, SW	Headquarters and Full-Service center for Department of Motor Vehicles (Registration and Permits)
5	DMV Georgetown Park Mall 3223 M Street NW	Full-Service center for Department of Motor Vehicles (Foreign National)
6	DMV Penn-Branch 3214 Pennsylvania Ave, SE	Department of Motor Vehicles, Customer Service Center (Registration and Permits)
7	Main Office, University of the District of Columbia, 4200 Conn Ave, Bldg 39, Rm 201	Collection of Tuition and fees; Collection of Deposits for the University e.g. Parking Fees, Deposits for Games for the Athletic Department, Pools Rental etc.; Disbursements to Vendors, Students Faculties and Staff.

*Source: OFT's Financial Procedures Manual: Daily Collection of Government Receipts
Note: The bolded sites were audited by OIO Auditors and are the subject of this report.*

Introduction

OBJECTIVES, SCOPE AND METHODOLOGY

The objectives of the audit were to determine whether the OFT:

1. complied with the applicable laws, regulations and internal policies and procedures;
2. established internal controls to adequately safeguard assets from fraud, waste, and abuse; and
3. adequately monitored cashiering operations to assure operational effectiveness and efficiency.

We examined the OFT cash operations activities from October 1, 2009 through July 31, 2010 for the Fiscal Year 2010. This report and its conclusions are based on the information gathered from our examination of the activities through the completion date of fieldwork, August 3, 2010, and does not reflect events after that date.

On July 1, 2010, we held an Entrance Conference meeting with the appropriate agency officials prior to the beginning of our fieldwork. We interviewed key OFT Senior Officials to obtain an understanding of their cashiering operations and cash management process. In addition, we also requested and reviewed the OFT's most current Standard Operating Procedures Manual. We performed a full cash count of all cash on hand (change funds, Imprest fund, waiting to be deposited) **from July 14 through August 3, 2010**, conducted under the dual control by a field auditor and witnessed by a designated OFT official. The count did not include the sealed bags for Dunbar Armored Truck pick-up. We performed an assessment of the Cashiering Sites and evaluated the adequacy of the internal controls through observation and examination in the same period mentioned above.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Findings and Recommendations

FINDING 1: DEPOSITS OF COLLECTIONS

In an effort to improve its operational effectiveness and efficiency, the Office of Finance and Treasury consolidated two of its former cashiering sites to the new cashiering site located at 1101 4th Street, SW, 1st Floor, Washington DC. The Main Office, formerly located on 301 C Street NW (the Main Cage/Vault) and the Recorder of Deeds, also formerly located in 515 D Street N.W. (Recorder of Deeds) shared the same office at the new location on 1101 4th Street SW Waterfront, Washington, DC.

Our walkthrough of the Main Vault at 1101 4th Street, uncovered two boxes of brown envelopes filled with different agencies documents and checks to be processed for deposit. These were daily collections by different agencies that were forwarded to the Main Cashiering Office for deposit. During our walkthrough, we also identified several batches of unprocessed checks dated from **June 28 through July 19, 2010** in one of the main vault's compartments. We verified 5,153 unprocessed checks totaling approximately \$15 million as detailed in **Table 2** below.

Table 2: UNTIMELY DEPOSITS OF OFT BULK MAIL CHECKS

Date Dropped-Off at OFT	Agency Name	No. of Checks Verified	Amount Verified
VARIOUS	ROD	275	\$11,271.50
6/28/2010	DPW/OCFO	14	\$1,843,114.49
	MPD	384	19,205.05
6/29/2010	DMH	1	2,734.00
	DOH	234	6,410.66
6/30/2010	DOH	738	128,753.56
	CFSA	1	45.00
7/1/2010	DHCD	26	113,116.41
7/2/2010			5,606,884.84
	OTR	10	168.00
	DHS/DOH		2,341,277.38
	DPW/OCFO	8	199,350.07
7/6/2010	MPD	69	211,298.45
	OPGS	2	1,254.00
7/7/2010	MPD	202	2,781.00
	OTR	59	1,140.00
	DCPS	7	55,063.88
	PSSE	2	4,845.18
	DHCF	80	861,915.11
7/8/2010	DOH	272	52,174.00
7/9/2010	OTR	11	1,110.00
	DHS	20	84,800.00
	DOH	6	796,733.22
7/12/2010	DHS	4	4,609.30
	DOH	498	50,683.03
	OSSE	354	15,215.64
	OTR	10	154.00

Findings and Recommendations

	MPD	718	37,611.00
7/13/2010	MPD	671	55,544.90
	DMH	14	10,306.55
	DPW/OCFO	10	19,713.80
	OTR	10	151.00
7/14/2010	DPW/OCFO		218,246.52
	DOH	1	1,635.58
7/15/2010	DHS	30	120,830.06
	OTR	8	125.00
	DHCF	85	1,694,385.86
7/16/2010	OTR	74	2,582.00
	DHS	2	6,682.00
	DPW/OCFO	39	36,559.96
	DCPS	102	513,778.82
7/19/2010	MPD	94	892.00
	DOH	8	42,636.70
	Total	5,153	\$15,177,789.52

Source: compiled by OIO auditor from Inventory of items in the vault.

An OFT official claimed that the unification/reorganization created a backlog for the Recorder of Deeds because its workflow was interrupted by relocation. Our discussion with the Cashier Operations Manager revealed that the backlog was due to shortage of personnel and the transitioning to the new office. The OFT management promptly responded to our discovery of undeposited checks by bringing in people to work on the following weekend to rectify this condition. The risk of not depositing money in the required time frame could result in loss of interest earnings, and could lead to other penalties, and the misuse or loss of District funds.

Our audit of DCRA site at 1100 4th Street, SW, 2nd floor, also disclosed that one of the deposits, logged into the Dunbar Log Book for **July 16, 2010** pick-up, was actually received on **July 8, 2010**. The amount of this deposit totaling **\$94,141** was not deposited until a week later.

RECOMMENDATION 1

We recommend that the OFT Deputy Chief Financial Officer/Treasurer take immediate action to ensure that its Standard Operating Procedures manual prescribing daily deposits of cash receipts are adhered to. Cash deposits should be made daily to ensure deposits are made in a timely manner and funds are adequately safeguarded.

OFT Response

OFT concurred with our recommendation. As stated in OFT's policies and procedures that bulk revenue delivered to its cashing office will be processed within 24-48 hours. OFT also claimed that the delay in processing of bulk mail revenue, of June 28 through July 19, 2010, and the combined move to the Waterfront of two cashing offices; the Recorder of Deeds (ROD) and the Main OFT cashing Site created a backlog. Also, the loss of two cashing positions at OFT before the move contributed to the backlog.

Findings and Recommendations

Consequently, OFT hired two new cashiers with the intent to clear the backlog and stabilize its operations. OFT also stated that, there are no more backlogs and operations are current.

OIO Comment

We consider OFT's actions taken to be responsive to our recommendation.

FINDING 2: TRACKING OF CIGARETTE TAX STAMPS
--

In the District, Merchants must purchase Cigarette Tax Stamps before selling cigarette to the public. All cigarettes sold in the District must bear a tax stamp on the package to verify that the applicable cigarette taxes have been paid. These stamps are decals affixed to sheets or rolls and are only purchased from the Main Office (OFT), by licensed Merchants. OFT Cashiers issue Cigarette Tax Stamps to Merchants with a valid purchase order (PO) from the Office of Tax and Revenue. OTR purchases the stamps from a third party vendor in rolls of 30,000 stamps or sheets of 150 stamps. Hand Stamps come in two different cigarette pack sizes "20s" and "25s", 150 per sheet at \$300 and \$375 respectively, while the Fusion Stamps comes in 30,000 per roll at \$75,000. (All quoted prices are exclusive of the District discount of 2 percent per stamp to cover Merchant labor and expenses).

Merchants are responsible for affixing the stamps to each package they distribute in the District. They can use a stamping machine as in the case of Fusion Stamps or a hand-held device as in the case of Hand Stamps, to place the stamp on each individual cigarette package. Both the automated and hand-held machines apply heat to the stamps to facilitate proper affixation.

Our audit revealed that records relating to inventory of cigarette tax stamps were not routinely reconciled to the physical inventory and signed off by a senior staff member of OFT. Cigarette Stamps constitute the most valuable asset in the Main Vault, and we noted a control weakness in the inventory of this cash intensive commodity. We were unable to get the carrying value of the asset when we inquired from the custodian. It is of vital importance that a moving balance and the dollar amount are established and maintained so that an error or theft can be easily spotted and investigated. Another control weakness we identified is that the duties related to recordkeeping, custody, authorization and reconciliation of Cigarette Tax Stamp are centralized in only one individual. We counted the cigarette tax stamps ending balance to be approximately \$20 million (net value) as shown in the **Table 3** below.

Findings and Recommendations

Table 3: Physical Count of Cigarette Tax Stamps

Description	Units Counted	Full Price /Unit	2% Discount / Unit	Discount Price / Unit	Total Discount Price
Hand Stamps 20s	284,700	\$2.00	\$0.04	\$1.96	\$558,012
Hand Stamps 25s	299,700	\$2.50	\$0.05	\$2.45	\$734,265
Fusion Stamps	7,500,000	\$2.50	\$0.05	\$2.45	\$18,375,000
Total	8,084,400				\$19,667,277

Source: compiled by OIO auditor from Inventory of items in the vault – Cigarette Tax Stamps.

RECOMMENDATION 2

We recommend that OFT's Deputy Chief Financial Officer/Treasurer:

- (a) Take action to segregate the cigarette tax stamps duties, such that the receiving and the recording of cigarette tax stamps transactions are not centered in only one individual.
- (b) Establish and monitor cigarette tax stamps functions including a review of the monthly cigarette tax stamps reconciliations, as evidenced by signing and dating applicable inventory records and investigate any variances.
- (c) Establish and maintain effective internal control to provide reasonable assurance that operations are being performed effectively and efficiently, with adequate controls (segregation of duties) to safeguard assets.

OFT Response

- (a) OFT stated that it is their position that the cigarette stamp duties are sufficiently segregated. The ordering of Tax Stamp inventory is performed by the Cashier Operations Manager. The daily sales and recording of tax stamps are solely assigned to the Lead Cashier, as indicated in the OFT Standard Operating Procedures manual. Because tax stamps are cash equivalent, OFT limits the access to the inventory to the Lead Cashier and Cashier Operations Manager. In addition, the Cashier Operations Manager performs a monthly audit of the inventory to ensure proper internal controls.
- (b) Also, it is OFT's position that the cigarette tax stamps are appropriately monitored and reconciled. The OFT performs on a monthly basis, a physical inventory count and reconciliation of the cigarette tax stamps as documented in our records. These documents are witnessed and signed by both the Cashier Operations Manager and verified by the Lead Cashier or designee to ensure all tax stamps are accounted for.
- (c) It is also, OFT's position that effective internal controls and segregation of duties are in place for the proper oversight of the cigarette tax stamp functions. Since the audit, the Cigarette Tax Stamps accounting has been automated and is no longer a manual,

Findings and Recommendations

paper process. The daily Cigarette Tax Stamps inventory is now processed on-line and accessible to assigned staff only – Cashier Operations Manager and Lead Cashier.

OIO Comments

- (a) OFT Associate Treasurer did not concur with this recommendation. Specifically, we noted that only one employee was responsible mainly for receiving, recording, issuing, etc. Our fieldwork identified no evidence of proper segregation of duties as provided in OFT's response. OIO request OFT reconsider its position and provide us with a revised response including estimated dates of completion by June 20, 2011.
- (b) OFT Associate Treasurer did not agree with this recommendation. Our field work did not provide us any evidence that the inventory of cigarette tax stamps was been supervised adequately because we are unable to find any documentation to support the inventory carrying value. OIO request OFT to reconsider its position and provide us with a revised response including estimated dates of completion by June 20, 2011.
- (c) Based on the contents of OFT's response, OIO concludes that OFT's actions *vis-a-vis* automation meets the intent of the recommendation.

FINDING 3: OFT's STANDARD OPERATING PROCEDURES ON CREDIT CARD OVER/UNDER CHARGE

The "OFT Banking and Operations Division Policies and Procedures, Standard Operating Procedures Manual, DCRA/OTR, Section 20010602-2A" dated and effective 4/15/10, dictates that,

Section 20010602-2A.60, Processing Credit Card Payments: #1. "The Teller/Cashier shall process credit card payments only when the card owner is present, shows valid photo identification, and pays the full amount on the remittance document (no split payments)".

During our walkthrough, we came across documents in one of the cashier's drawers and a close review uncovered that they were receipts from one under rung credit card transactions by the cashier. The customer's credit card was originally charged \$100 instead of \$220. The ensuing difference of \$120 was charged to the customer's credit card without his/her knowledge and signature authorizing the transaction. This is considered a direct violation of the OFT's Policies and Procedures mentioned above.

Findings and Recommendations

There is no other signature on the document signifying manager's approval and/or authorization. (See Exhibit B).

RECOMMENDATION 3

We recommend that the Deputy Chief Financial Officer/Treasurer update and issue Policies and Procedures Manual to ensure that the OFT cashiering operations unit are applying the proper procedures to the over/under ring credit card transactions that complies with the OFT Cashiering Operations instructions on credit card over/under ring.

OFT Response

OFT created a Standard Operating Procedure manual dated 6/15/10 and a copy were given to each cashier and supervisor. A copy resides in each cashiering location for reference. The Standard Operating Procedure manual has the most recent procedures for accepting credit cards, and no update to the procedure is currently needed.

The incorrect transaction amount referenced in the OIO draft audit report was identified by the DCRA cashier supervisor at settlement. However, the client is well-known and a frequent client of DCRA. The supervisor sought a management override/decision from the Associate Treasurer based on knowledge of the customer and no resulting charge back occurred. OFT feels that senior management will need to always make reasonable overrides to policy, as needed.

OIO Comment

OIO reviewed OFT's updated manual but does not agree with OFT's position regarding supervisory overrides on credit card transactions. Specifically, OFT manual has no provisions permitting OFT senior management to take an exception to its policy in a situation like this. By OFT's senior management taking an exception of this nature however reasonable, such action can adversely affect the District financially because the policy specifically stated, in part: "... tellers should process credit card payments **only** when the card owner is present, shows valid photo identification, and pays the full amount on the remittance document (no split payments)". In this case, the card owner was not present. OIO request OFT to reconsider the agency's position on supervisory overrides and provide a revised response to us by June 20, 2011.

Exhibit A: Summary of Potential Benefits Resulting from Audit

No.	Recommendations	Type of Benefit	Agency Reported Estimated Completion Date	Status ¹
1	Ensure that employees adhered to the daily deposits of cash receipts as prescribed in the policies and procedures manual.	Internal Control, Non monetary	2/18/2011	Closed
2a	Segregate the functions of cigarette tax stamps receiving and recording.	Internal Control, Non monetary	TBD	Open
b	Monitor and reconcile cigarette tax stamps inventory and investigate any variances.	Internal Control, Non monetary.	TBD	Open
c	Establish effective internal controls to provide reasonable assurance that operations are running effectively and efficiently.	Internal Control, Non monetary	2/18/2011	Closed
3	Revise policies and procedures to ensure that credit card over/under ring treatment by employees complied with OFT applicable laws.	Internal Control, Non monetary	TBD	Open

¹ This column provides the status of a recommendation as of the report date. For final reports, "Open" means management, and the OIO agree on the action to be taken, but is not complete. "Closed" means management has advised that the action necessary to correct the condition is complete. If a completion date was not provided, the date of management's response is used. "Unresolved" means that management has agreed neither to take the recommended action nor propose satisfactory alternative actions to correct the condition.

EXHIBIT B – Credit Card Charge Without Customer’s Consent

SALES DRAFT

1100 4TH STREET SW
WASHINGTON, DC 20002
TERMINAL 0555843

901165396994
07/09/2010 18:21:24

VISA [REDACTED] EXP. 0712
AUTH. TRANS. ID. 080190009443464
INVOICE 24001 #02
AUTH. CODE 690502

SALE TOTAL \$120.00
TAX \$0.00
TOTAL \$120.00

I AGREE TO PAY ABOVE TOTAL AMOUNT
ACCORDING TO CARD ISSUER AGREEMENT
(MERCHANT AGREEMENT IF CREDIT VOUCHER)

X
↓

MERCHANT COPY

DC 2200017
07/27/10
SALES DRAFT

1100 4TH STREET SW
WASHINGTON, DC 20002
TERMINAL 0555843

901165396994
07/09/2010 16:10:29

VISA [REDACTED] EXP. 0712
AUTH. TRANS. ID. 280190730093691
INVOICE 23051 #02
AUTH. CODE 681009

SALE TOTAL \$100.00
TAX \$0.00
TOTAL \$100.00

I AGREE TO PAY ABOVE TOTAL AMOUNT
ACCORDING TO CARD ISSUER AGREEMENT
(MERCHANT AGREEMENT IF CREDIT VOUCHER)

X

TIM [Signature] FUCHS

MERCHANT COPY

Under-ring on customer's credit card voucher
Amount should have been \$220.00 instead of
\$100.00 (see invoice transaction (167) 7-9-10 OFT 17.
Copies of invoices attached.

Jamie Smith

PURPOSE: To corroborate violation of Policy on
credit card split charges, by OFT Cashier
at DCRA, 1100 4th St, 2nd floor.

SOURCE: DCRA Cashiering Office, OFT.

DATE: July 16, 2010

[Signature]

Payment Details

***** DUPLICATE *****

OFFICE OF FINANCE AND TREASURY

Date: 7/9/2010 4:18 PM
Office: DCRA Term: OFT-4HPOLB
Batch: 8081 Batch Date 07/09/10
Cashier: OFT17
Trans #: 167
DEPARTMENT OF TRANSPORTA Rcpt: 00646956
Comment/Document: 10007738
Payment Total: \$100.00
Payment Distribution:
8513 KAO (8310) r6900-00001 \$100.00
VS Tendered: \$220.00

***** DUPLICATE *****



GOVERNMENT OF DISTRICT OF COLUMBIA
 DEPARTMENT OF TRANSPORTATION
 1100 4TH STREET SW / 2ND FLOOR
 WASHINGTON D.C. 20004

OFFICE OF FINANCE AND TREASURY
 Date: 7/9/2010 4:18 PM
 Office: DCRA Term: OFT-4H
 Batch: 8081 Batch Date: 07/09/2010
 DEPARTMENT OF TRANSPORTATION
 Document: 10007738
 Payment Total: \$100.00
 Payment Distribution:
 8513 KAO (8310) 6900-00001 \$100.00
 US Tendered: \$220.00

d

PUBLIC SPACE RESERVED PARKING / OCCUPANCY PERMIT INVOICE

D.C. TREASURER'S COUPON



Application Date: 07/09/2010

Tracking Number: 10007738

Location: 2 - 99 BLOCK OF 3RD STREET SW, 98 - 99 BLOCK OF 3RD STREET NW

Permittee Name: National Council on Independent Living NCIL

Permittee Address: 1710 Rhode Island Ave NW, Washington, DC 20036

Owner Name:

Owner Address:

Event: NCIL Annual Rally at the US Capitol

Fee: \$100.00

Public Inconvenience Fee: \$0.00

Total Fee: \$100.00

DEPT	FY	TRAN CODE	INDEX	PCA	AGY OBJ
KAO	2010	190	6900	00001	8310

THIS IS NOT A PERMIT

OFFICE OF FINANCE AND TREASUR
 Date: 7/9/2010 4:18 PM
 Office: DCRA Term: OFT-
 Batch: 8081 Batch Date 07
 Cashier: OFT17
 Trans #: 167
 DEPARTMENT OF TRANSPORTA Rent: 0064
 Comment/Document:
 Payment Total: Date: 7/9/2010
 Payment Distribution: KA
 5218 KAO 878099 FADPA-00001
 DRDUS 180017289 \$220

Government of the District of Columbia
 District Treasury
 Payment Ticket

Deposit funds collected by Department/Agency: DDOT
 Dept/Agency: DDOT/TPPA/PSMB
 Tracking #: 10007738 Fund No: 6900

Treasury Use Only	Revenue/Trust Fund Name	INDEX	AGY OBJ
	Meter Invoice	R6900	3402
NAME: National Council on Independent Living NCIL			
ADDRESS: 1710 Rhode Island Ave NW			
CITY/STATE: WashingtonDC			
ZIP CODE: 20036			
TAX ID:			
ADDRESS OF WORK: 2 - 99 BLOCK OF 3RD STREET SW,98 - 99 BLOCK OF 3RD STREET NW			

Cash Count	Amount	Bag/ Cour
Total Deposit	\$120.00	

Call (202) 645-7050 for final inspections

Prepared by: Lucyette Williams

Phone: 202-442-4670

Received From: National Council on Independent Living NCIL

Bank Copy

X-----

EXHIBIT C – OFT's Management Response

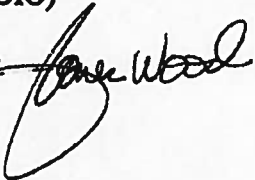
GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER

★ ★ ★

Office of Finance and Treasury

MEMORANDUM

TO: William J. DiVello, Executive Director
Office of Integrity and Oversight (OIO)

FROM: Clarice Wood, Associate Treasurer
Office of Chief Financial Officer 

DATE: February 18, 2011

SUBJECT: Office of Finance and Treasury's (OFT) Audit Response
Cashier Operations Sites (OIO) No.:10-1-08-OFT (a)

This memo is in response to the OIO Audit Findings and Recommendation for the OCFO main office and DCRA cashiering sites completed on August 3, 2010. The audit draft report is dated 1/31/2011. Below please find the OFT responses and actions taken to eliminate all deficiencies noted:

Recommendation 1: DEPOSIT OF COLLECTIONS

We recommend that the OFT Deputy Chief Financial Officer/Treasurer take immediate action to ensure that its Standard Operating Procedures manual prescribing daily deposits of cash receipts are adhered to. Cash deposits should be made daily to ensure deposits are made in a timely manner and funds are adequately safeguarded.

OFT Response:

OFT states in its policies and procedures that bulk revenue delivered to its cashiering office will be processed within 24-48 hours. The processing of bulk revenue dated between June 28 and July 19, 2010 was delayed due to the combined move to the Waterfront of two cashiering offices: Recorder of Deeds (ROD) and the Main OFT cashiering site. The first move occurred April 22, 2010 and the second move occurred on May 20, 2010. The two offices were combined into one location with limited staffing (2 vacant cashier positions). In addition, OFT supplied cashiers to the ROD to assist in catching up their revenue processing. The impact of OFT's move, limited staff, and lending support to ROD's transition, impacted the stated 24-48 hour turnaround time indicated in the standard operating procedures. However, OFT took action to rectify the issue. Subsequently, two new cashiers were hired and cashiers worked overtime to

process the backlog. Currently, daily collections are processed timely and within the procedural standards.

Recommendation 2: TRACKING OF CIGARETTE TAX STAMPS

We recommend that OFT establish a subsidiary record and ensuring that Cigarette Tax Stamps Receipts are accurately recorded and accounted for.

- (a) Take action to segregate the cigarette tax stamps duties, such that the receiving and the recording of transactions are not centered in only one individual.*
- (b) Establish and monitor functions including a monthly review of reconciliation, as evidenced by signing and dating applicable inventory records and investigation of any variances.*
- (c) Establish and maintain effective internal controls to provide reasonable assurance that operation are performed effectively and efficiently, with adequate controls (segregation of duties) to safeguard assets.*

OFT Response:

- (a) It is OFT's position that the cigarette tax stamp duties are sufficiently segregated. The ordering of tax stamp inventory is performed by the Cashier Operations Manager. Upon receipt, an inventory sheet accompanies the shipment and it is confirmed and entered into inventory under dual control. The daily sales and recording of tax stamps are solely assigned to the Lead Cashier, as indicated in the OFT Standard Operating Procedures manual. The Cashier Operations Manager is the Lead Cashier's backup on tax stamp sales. Because tax stamps are cash equivalents, OFT limits the access to the inventory and sales to the Lead Cashier and Cashier Operations Manager. In addition, the Cashier Operations Manager performs a monthly audit of the inventory to ensure proper internal controls.
- (b)) It is OFT's position that the cigarette tax stamps are appropriately monitored and reconciled. A monthly inventory and reconciliation is conducted and signed by both the Cashier Operations Manager and verified by the Lead Cashier or designee to ensure all tax stamps are accounted for. Monthly audits are signed by both Cashier Operations Supervisor and Lead Cashier.
- (c)) It is OFT's position that effective internal controls and segregation of duties are in place for the proper oversight of the cigarette tax stamp functions. Since the audit, the Cigarette Tax Stamps accounting has been automated and is no longer a manual, paper process. The daily Cigarette Tax Stamps inventory is now processed online and accessible to assigned staff only – Cashier Operations Manager and Lead Cashier. The Lead Cashier sells and records daily online; the Cashier Operations Manager completes an online audit which captures the beginning dollar balance on-hand, number of stamps sold, dollar amount sold, remaining balance, and ending total sales on-hand. The monthly audit is printed, signed and dated by the Lead Cashier or designee and the Cashier Operations Manager. Copies are maintained on file for audit review.

Recommendation 3: OFT's STANDARD OPERATING PROCEDURES ON CREDIT CARD OVER/UNDER CHARGE:

Update and issue Standard Operating Procedures (SOP) to ensure the OFT cashiering operations unit are applying the proper procedures to the over/under ring credit cards transaction that complies with the OFT Cashiering Operations instructions.

OFT Response:

OFT created a Standard Operating Procedure manual dated 6/15/10 and a copy was given to each cashier and supervisor. A copy resides in each cashiering office location for reference. The Standard Operating Procedure manual has the most recent procedure for accepting credit cards, and no update to the procedure is currently needed. The procedure states: "The Teller/Cashier shall process credit card payments only when the card owner is present, shows valid photo identification, and pays the full amount on the remittance document."

The standard procedure is: if the cashier is over/under, the employees shall accept/post the difference by completing a 1502 difference general ledger to reflect the dollar amount to her/his teller number. This process will continue for all over/under rings. Currently, all 1502 differences are charged against OFT's general ledger.

The incorrect transaction amount referenced in the OIO draft audit report was identified by the DCRA cashier supervisor at settlement. However, the client is well-known and a frequent client of DCRA. The supervisor sought a management override/decision from the Associate Treasurer to proceed. It was approved by the Associate Treasurer based on knowledge of the customer and no resulting charge-back occurred. OFT feels that senior management will need to always make reasonable overrides to policy, as needed.

We appreciate your work in the area of Cashier Operations, as we continue to work diligently to ensure operational effectiveness and efficiency. Thank you for your cooperation and support.

cc: Lasana Mack
Tracey Johnson