

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



Office of Integrity and Oversight

MEMORANDUM

TO: Stephen M. Cordi, Deputy Chief Financial Officer
Office of Tax and Revenue

FROM: Mohamad K. Yusuff, Interim Executive Director
Office of Integrity and Oversight

DATE: September 29, 2014

SUBJECT: Agency Self-Certification of the Status of Prior Year Audit Recommendations
at OTR (OIO-12-02-13 OTR)

The Office of Integrity and Oversight (OIO) conducted a follow-up on prior years' recommendations issued to the Office of Tax and Revenue (OTR) in a series of audits and management alerts for fiscal years 2011 and 2012, to ensure that management corrective action plans were duly implemented. This follow-up was initiated as part of OIO's responsibility for continuous monitoring of OTR operations.

The OIO issued 82 recommendations to the agency in 11 audits, and management alerts during the review period (Exhibit I). Originally, this follow-up was scheduled as an audit; however, in working with the agency during the course of this follow-up, we found that the current operating conditions at OTR have changed significantly; from the time the audits were completed to when OIO initiated this follow-up engagement, due to changes in operations and processes. As a result, 26 of the 82 (27%) of the recommendations were overtaken by events. Additionally, OTR is commencing a major system implementation project with the new Modernized Integrated Tax System. As a result, we found that many of the recommendations are no longer feasible or cost beneficial; therefore, we revised our approach and requested OTR to provide OIO with an agency "self-representation" to certify the status of the 82 recommendations.

OTR provided OIO with this certification (Exhibit II), dated September 24, 2014 supported with Attachment 1: "Status of OIO Audit Recommendations." In summary, the agency certified that of the 82 recommendations, 3 remain open, 58 recommendations are closed and 26 were overtaken by events.

We believe that OTR management has taken all necessary corrective actions to implement OIO's recommendations on the listed prior reports. Based on the certification provided, and the

explanation for the open items, OIO is assured that these items will be closed as soon as practicable.

Thank you for your response and cooperation in this matter. Should you have any questions you may contact me at 442-6433, or your staff may contact Tisha Edwards, Audit Manager, at 202-442-6446.

Attachments

cc: Marshelle Richardson, Acting Chief Risk Officer
Glen Groff, Director of Operations, OTR

Exhibit I

**Reports Issued for the Period
October 1, 2010 to January 31, 2012**

No.	Report Number	Report Title	Issue Date	Number of Recommendations
1	OIO-10-01-02-OTR	OTR Audit Division Process for Selecting Tax Returns for Examination and Audit	11/8/2010	17
2	OIO-10-02-26-OTR	MAR: Lack of Address Cleaning Process on Real Property Tax Administration Mailing Database at OTR	3/14/2011	4
3	OIO-11-02-14-OTR	MAR: 1099-G Certain Government Payments	3/29/2011	2
4	OIO-10-01-01-OTR	Audit of the Process Used to Collect Tax Revenues through Gov One	4/20/2011	11
5	OIO-11-01-08-OTR	Audit of Internal Controls over Federal Income Tax Adjustments	5/24/2011	9
6	OIO-10-01-01-OTR(b)	Audit of the Process Used to Collect Tax Revenues through Gov One	7/7/2011	3
7	OIO-11-01-05-OTR	Audit of the OTR Collection Division's Administration of the Offers in Compromise Program	7/13/2011	9
8	OIO-11-02-16-OTR	MAR: The Office of Tax and Revenue Has Not Restricted Access to Certain High-Profile Taxpayers and Employees	7/19/2011	4
9	OIO-0011-0088	Final Fraud Follow-up Report: Individual Income Tax Refunds Issued Fraudulently	11/14/2011	9
10	OIO-10-02-26-OTR	Audit of Internal Controls over Undelivered Mail and Address Change Processes at the Office of Tax and Revenue	1/3/2012	11
11	OIO-12-02-01-OTR	Proactive Integrity Survey at the OTR's Returns Processing Administration	1/24/2012	3
Total				82

Source: Office of Integrity and Oversight

AGENCY SELF CERTIFICATION RESPONSE

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER
OFFICE OF TAX AND REVENUE



Stephen M. Cordi
Deputy Chief Financial Officer

MEMORANDUM

TO: Mohamad K. Yusuff, Interim Executive Director
Office of Integrity and Oversight

FROM: Stephen M. Cordi
Deputy Chief Financial Officer

DATE: September 24, 2014

SUBJECT: Follow-up on Audit of Prior Years' Audit Recommendations at the Office of Tax and Revenue

This is an update to my memoranda to you of July 24, 2014, requesting for a status on audit recommendations issued to the Office of Tax and Revenue (OTR) by the Office of Integrity and Oversight (OIO).

Specifically, OTR is certifying that 46 of the 51 recommendations categorized as "Implemented" in your Attachment 1 were duly implemented and closed. The remaining 5 recommendations were implemented, but have since been overtaken by events, as 1) OTR and its banking partner, Wells Fargo, are no longer using GovOne to receive payments, and 2) the new CFO decided to discontinue the use of restricted accounts.

Of the 22 "Open" recommendations, 12 are Closed, 7 were Overtaken by Events, and 3 remain Open. Of those that are "Open," one is part of the ongoing process of modifying the retention policy in cooperation with the DC Archivist. Until the new policy is available, OTR is maintaining all records. The second recommendation will be addressed during the data migration process associated with the implementation of the new tax system. The third "Open" item is related to returned mail. OTR has implemented a new process of recording returned mail for Tax Year 2013, and will do the recommended sampling and analysis after September 30th.

The updated status of all findings is included in Attachment 1, and is summarized in the table below.

No	TITLE	Open	Closed	Overtaken by Events	Total
1	Audit of the Office of Tax and Revenue Audit Division's Process for Selecting Tax Returns for Examination and Audit	1	12	4	17
2	Final Management Alert on Lack of Address Cleaning Process on Real Properties Tax Administration Mailing Database		2	2	4
3	1099-G Certain Government Payments		2		2
4 & 6	Audit of the Process Used to collect Tax Revenues through Gov One.	1	11	2	14
5	Audit of Internal Controls over Federal Tax Adjustments		7	2	9
7	Audit of the OTR Collection Division's Administration of the Offers in Compromise Program		9		9
8	Management Alert: The Office of Tax and Revenue Has Not Restricted Access to Certain High-Profile Taxpayers and Employees		1	3	4
9	Final Fraud Follow-up Report: Individual Income Tax Refunds Issued Fraudulently		6	3	9
10	Audit of Internal Controls over Undelivered Mail and Address Change Processes at the Office of Tax and Revenue	1	6	4	11
11	Proactive Survey at the OTR's Returns Processing Administration		2	1	3
Total		3	58	21	82
Percentage of Total		3%	71%	26%	100%

Should you have any questions regarding this response, please contact me or Beth Spooner at (202) 442.6486.

Attachment

cc: Glen Groff, Director of Operations, OTR

ATTACHMENT 1
STATUS OF OIO AUDIT RECOMMENDATIONS

TITLE	JOB NO.	#	RECOMMENDATIONS	STATUS PER OIO MEMORANDUM	OCFO RESPONSE/UPDATE	OTR RESPONSE/UPDATE AS OF JULY 22, 2014
Audit of the Office of Tax and Revenue Audit Division's Process for Selecting Tax Returns for Examination and Audit	OIO-10-1-02-OTR	13	Develop a policy and system for retention of all examination and audit reports, work papers, documentation and files in a centralized location.	Open	OTR is currently revising the document retention policy, which must be approved by the DC Archivist. This has been delayed due to transitions in the Office of the DC Archives. In the meantime, OTR has been directed by the Archivist to keep all records.	Open
Audit of the Process Used to collect Tax Revenues through Gov One.	OIO-10-01-01-OTRa	1.	Develop data retention and archiving systems and policies for OCFO taxpayer data that complies with the District's record retention requirements.	Open	The TSG will work with OTR to develop an assessment of the automated taxpayer data records and retention practices and provide a report that addresses system compliance with the OCFO/OTR Record Retention Schedule for taxpayer data. The report is anticipated to be complete by August 1, 2011. This compliance report will be used as a basis for the development of the data archiving system policies for OCFO taxpayer data.	Open - This work will be performed when data is being migrated to new System. The contract award for the new system occurred in July 2014.
Audit of the Process Used to collect Tax Revenues through Gov One.	OIO-10-01-01-OTRa	2.	In consultation with the RPA management, develop an electronic report of the daily transactions received from GovOne prior to processing by ITS. This report should be accessible by a wide range of RPA staff and others. Consideration should be given to archiving this report in support of the original transactions.	Open	Original remediation work was delayed as OTR was in conversations with its Bank to replace the GovOne payment processing portal with another payment portal. This activity was cited in the original OIO report. Requirements were drafted to include OIO recommendations such as daily transactional reporting. After review of the requirements the Bank recognized they could not meet all of OTR's requirements, and the transition to the Bank's portal was delayed. The Bank continues to work updating its payment portal to accommodate OTR's requirements. In the interim, a daily transactional report to reconcile items posted to ITS will be developed 1st quarter 2013. Policies and procedures to support the use and retention of the report will also be documented.	Closed - In 2013 The OTR changed vendor from Gov One to Wells Fargo for direct interfaced payments. The structure of the payment setup ensures that payment settlement to the bank accounts, file uploads to ITS and SOAR occur within the same business day thereby negating instances of amounts carried over from one settlement day to the next which had been the problem with Gov One.
Audit of the Process Used to collect Tax Revenues through Gov One.	OIO-10-01-01-OTRa	8.	Mandate the development of policies and procedures for the raising, tracking and resolution of operational issues that impact a contractor's performance.	Open	A Lockbox Coordinator position has been created and filled providing oversight of the lockbox process. Once the new portal has been established OTR will develop and implement policies and procedures that address the management, oversight and reconciliation of the OTR lockbox account.	Closed - The Wells Fargo payment portal does not require monitoring in the manner that the other lockbox services require. This payment portal is a direct interface from the bank to the general ledger. In the event that payments are not posted that are on the bank statement, the RPA accounting unit notifies the Tax Systems Group.

ATTACHMENT 1
STATUS OF OIO AUDIT RECOMMENDATIONS

TITLE	JOB NO.	#	RECOMMENDATIONS	STATUS PER OIO MEMORANDUM	OFCO RESPONSE/UPDATE	OTR RESPONSE/UPDATE AS OF JULY 22, 2014
Audit of the Process Used to collect Tax Revenues through Gov One.	OIO-10-01-01-OTRb	1.	Develop and implement policies and procedures that address the management, oversight and reconciliation of the OTR lockbox account, including the specific identification of reconciling items related to timing and non-timing differences.	Open	Original remediation work was delayed as OTR was in conversations with its Bank to replace the GovOne payment processing portal with another payment portal. This activity was cited in the original OIO report. Requirements were drafted to include OIO recommendations. After review of the requirements the Bank recognized they could not meet all of OTR's requirements, and the transition to the Bank's portal was delayed. The Bank continues to work updating its payment portal to accommodate OTR's requirements.	Closed - The portal is currently being used for Real Property payments, and GovOne is no longer used. RAA has policies and procedures that speak to reconciliation of the lockbox accounts (and all deposit accounts) with both SOAR and ITS, and the tracking of reconciling items from month to month, to specifically identify those items caused by timing differences.
Audit of the Process Used to collect Tax Revenues through Gov One.	OIO-10-01-01-OTRb	2.	Require the RPA management to review and approve all adjustments and reconciliations prior to forwarding the adjustments to RAA or OFOS. Unusual entries or outstanding entries (two months or more) should include explanation(s).	Open	RPA will put in place policies and procedures that will (1) require the RPA management review of all adjustments and reconciliations; and (2) require written justifications for all entries that are not self explanatory. These policies and procedures will be implemented within 6 months of the new lockbox processing system.	Closed - RPA does not makes manual journal entries for payments received via the Wells Fargo payment portal that replicated Gov One. All transactions are handled through the interface and are monitored by OFOS and TSG. A reconciliation of the payments received is completed by RAA as a function of the monthly bank to SOAR to ITS reconciliation.
Audit of the Process Used to collect Tax Revenues through Gov One.	OIO-10-01-01-OTRb	3.	Direct RPA and TSG develop specific policies and procedures for the processing of stripped transactions and gov one files. These policies and procedures should address how the stripped transactions or files are to be controlled and resolved. The stripped transaction or file should be placed in the ITS suspense account until the issue is resolved and the transaction corrected.	Open	Original remediation work was delayed as OTR was in conversations with its Bank to replace the GovOne payment processing portal with another payment portal. This activity was cited in the original OIO report. Requirements were drafted to include OIO recommendations, including the requirement there be no stripped transactions. After review of the requirements the Bank recognized they could not meet all of OTR's requirements, and the transition to the Bank's portal was delayed. The Bank continues to work updating its payment portal to accommodate OTR's requirements.	Closed - Gov One has now been replaced with Wells Fargo. Recommendations were used by OTR to work develop current contract.
Audit of the OTR Collection Division's Administration of the Offers in Compromise Program	OIO-11-01-05-OTR	7.	Enhance the CD web pages to improve the description of the OIC program and to outline the range of collection possibilities that the taxpayer and CD may use.	Open	Updates to the OTR-10 have been requested, and an improved description of the OIC program, as well as an outline of the range of collection possibilities that the taxpayer and the Collection Division may use have been drafted and are slated to be included in the revised OTR website scheduled to go live in November of 2012.	Closed - Updates to the OTR-10 have been completed, and an improved description of the OIC program, as well as an outline of the range of collection possibilities that the taxpayer and the Collection Division may use have been included in the revised OTR website, which went live in November of 2012.

ATTACHMENT 1
STATUS OF OIO AUDIT RECOMMENDATIONS

TITLE	JOB NO.	#	RECOMMENDATIONS	STATUS PER OIO MEMORANDUM	OCFO RESPONSE/UPDATE	OTR RESPONSE/UPDATE AS OF JULY 22, 2014
Audit of the OTR Collection Division's Administration of the Offers in Compromise Program	OIO-11-01-05-OTR	8	Review and update the current version of the OTR-10 and the Form OTR-10 and: (1) adjust the date on the webpage (2) revise the "How do I compute the amount of my offer" to state that the funds submitted with the rejected offers will be retained and applied to outstanding tax liability; (3) Revise the OTR-10 to include checklists similar to IRS Form 656-B and the worksheet to compute the RCP amount and potential offer amount for the taxpayer to use; (4) revise the OTR-10 to eliminate incomplete sentences and phrases and update the mailing instructions.	Open	The OTR-10 is currently being revised to address the retention of funds, include checklists and worksheets, update mailing instructions, and correct general verbiage. The updates will be completed by 12/31/2012.	Closed - Updates to the OTR-10 have been completed, and an improved description of the OIC program, as well as an outline of the range of collection possibilities that the taxpayer and the Collection Division may use have been included in the revised OTR website, which went live in November of 2012.
Audit of the OTR Collection Division's Administration of the Offers in Compromise Program	OIO-11-01-05-OTR	9	Determine the viability of including the CIS, including detailed instructions in the OTR-10.	Open	The viability of including the CIS is under review. A determination was made, and the revision of the OTR-10 will be completed by 12/31/2012.	Closed - The Collection Division has decided to accept the CIS with the OTR-10, provided that it was filed with the Internal Revenue Service no more than six months prior. All updates have been communicated to employees, and have been included in the revised OTR-10. The revised document was submitted to the Public Affairs Specialist on 6/29/2014, and will be posted to the website upon completion of review.
Management Alert: The Office of Tax and Revenue Has Not Restricted Access to Certain High-Profile Taxpayers and Employees	OIO-11-02-16-OTR	3	Designate staff to review the list of restricted taxpayers on a periodic basis to remove or add taxpayers as required.	Open	OTR did undertake a complete review of its high-profile taxpayers and employees to restrict access. On-going maintenance has not been done due to lack of additional personnel reports. OTR is working to secure the required reports.	Overtaken by events - The new CFO has made the decision to reduce the restricted access list to the President and the Mayor. We will look at a way to effectively track employee access in the new system when implemented.
Final Fraud Follow-up Report: Individual Income Tax Refunds Issued	OIO-00111-0088	4	Perform a period review to compare direct deposit account information to employee bank account information to determine if there are any matches and whether the matches are appropriate.	Open	OTR is currently working with payroll to secure a complete file. In the interim, additional controls have been added in RAA to identify potential fraud associated with direct deposits.	Overtaken by Events - OTR has not been able to secure a file from payroll. We will continue to look at refunds with the current fraud filters in place..
Fraudulently Issued Individual Income Tax Refunds	OIO-00111-0088	6	Continue to look for a data capture solution to capture all W-2 data and perform matching with employer data. As part of this, OTR should determine if there is a systemic way to lock an account from withholding changes once the account has been reconciled to the employer account.	Open	Currently OTR is receiving W-2 data through electronic filing which constitutes approximately 60% of the individual filing population. There are still challenges with entering the employer data into the system because it is received in various formats including paper. The Modernized E-file project (currently underway) will allow the majority of W-2s to be available for matching at the time the return is filed. New system implementation will determine a full completion date. Data will not be locked as taxpayers often provide amended, valid W-2s.	Overtaken by Events - As a stopgap measure until MITS is implemented, OTR has a program in development that will compare electronic W-2s with the data warehouse and build a post processing file for review where the difference surpasses a threshold or the data warehouse record is not found. SCR 7093.

ATTACHMENT 1
STATUS OF OIO AUDIT RECOMMENDATIONS

TITLE	JOB NO.	#	RECOMMENDATIONS	STATUS PER OIO MEMORANDUM	OIGFO RESPONSE/UPDATE	OTR RESPONSE/UPDATE AS OF JULY 22, 2014
Audit of Internal Controls over Undelivered Mail and Address Change Processes at the Office of Tax and Revenue	OIO-10-2-26-OTR	1.	Direct the Compliance and Customer Service Administrations to remove the unnecessary mail suppressions by the following actions: (a) Request the CIO/TSG produce a report of ITS mail suppressions with accounts receivables (by taxpayer entities) for review by the Compliance Administration and ITS mail suppression (by Tax entities) for review by the Customer Service Administration (b) Direct the administrations to systematically review the reports to determine whether the accounts receivable is still collectible. Based on these results, suppressions should be removed as necessary.	Open	This report is created daily for administrations to review. A cumulative report will be done to facilitate review of items that have been suppressed for a period of time. Utilizing the TSG provided report, the administrations will review mail suppressions on a quarterly basis to determine whether the AR is still collectible, and to remove those suppressions that should be removed. The first review will be completed on 4/15/2013. As a Phase 1 effort to deal with the undeliverable mail issue, the DCFD and TSG undertook a review of real property returned mail. Based on that analysis, a subgroup of taxpayers was identified for which a bill is also mailed to a mortgage company, and which were not identified as delinquent (indicating that the mortgage company is paying the bills). Bills were suppressed to the property owner, and bills posted online for taxpayers to access bills if needed. Returned mail in this category was substantially reduced for the 2H billing cycles and CSA has not experienced an increase in taxpayer phone calls from taxpayers looking for their real property bills.	Closed - This effort is continuing and will be ongoing until the new system has been implemented. All returned mail is scanned and the account is treated appropriately by the sending administration.
Audit of Internal Controls over Undelivered Mail and Address Change Processes at the Office of Tax and Revenue	OIO-10-2-26-OTR	3.	Develop and maintain statistics on how many pieces of returned mail are processed and resolved by OTR on a regular basis to timely identify problems with the mailing programs.	Open	The Compliance Administration and RPTA maintain tracking logs and samples returned mail to determine cause. RPTA also maintains tracking logs. CSA is the processing of developing logs. CSA and Compliance will begin tracking resolution statistics on or before 12/31/2012.	Closed - Logs are no longer the primary tool for tracking returned mail. All returned mail is scanned and the accounts treated appropriately by the sending administration. This change in process should support better analysis of address issues.
Audit of Internal Controls over Undelivered Mail and Address Change Processes at the Office of Tax and Revenue	OIO-10-2-26-OTR	4.	Produce a report of taxpayers with blank address fields on a regular basis.	Open	On 10/05/12 the OTR senior management was provided a prototype report of taxpayers with blank address fields. The OTR reviewed the report and has asked for revisions. The revised report was provided 11/5/12. Business users determined that the number of items made the report of limited use. Additional work is being done to enhance the report.	Overlaken by Events - This report is still of limited value. The new system will require an entry in the address field so the problem should be corrected when the system is in place.
Audit of Internal Controls over Undelivered Mail and Address Change Processes at the Office of Tax and Revenue	OIO-10-2-26-OTR	5.	Direct the appropriate OTR administration (CSA/RPA) to review the report and to determine (a) whether those taxpayer address fields should be blank or perform the necessary corrections, and (b) conduct training classes for those OTR employees who are consistently updating taxpayers related party fields to blank.	Open	OTR is reviewing the report to identify potential actions and subsequent training.	Overlaken by Events - This report is still of limited value. The new system will require an entry in the address field so the problem should be corrected when the system is in place.
Audit of Internal Controls over Undelivered Mail and Address Change Processes at the Office of Tax and Revenue	OIO-10-2-26-OTR	6.	Amend ITS taxpayer's address fields manual "related party update" program so that "blanks" are not allowed, unless it is specifically end-dated, suppressed, and explained. A cost benefit analysis should be performed prior to any amendments.	Open	TSG will complete a level of effort for recommendation by 12/31/12 so that OTR can determine if further action is appropriate.	Overlaken by Events - The new system is expected to address data quality issues. Contract Award for modernization was completed in July 2014

ATTACHMENT 1
STATUS OF OIO AUDIT RECOMMENDATIONS

TITLE	JOB NO.	#	RECOMMENDATIONS	STATUS PER OIO MEMORANDUM	OFCO RESPONSE/UPDATE	OTR RESPONSE/UPDATE AS OF JULY 22, 2014
Audit of Internal Controls over Undelivered Mail and Address Change Processes at the Office of Tax and Revenue	OIO-10-2-26-OTR	7.	Review all TAR exception reports promptly and update "best known" taxpayer addresses.	Open	The TAR exception reports are made available through the OCFO public folders. The TAR process was executed in CY12 on 2/20/12 and 8/09/12. Procedure is being developed to use the TAR exception report to evaluate addresses.	Closed - A change has been implemented to add a barcode on all mail that is transmitted to track returns. TAR has been modified to send request only in cases with undelivered mail.
Audit of Internal Controls over Undelivered Mail and Address Change Processes at the Office of Tax and Revenue	OIO-10-2-26-OTR	8.	Perform quality control view on a trending/sampling basis on returned collection and/or audit notices to ensure that "best known" addresses are used for future mailings to those taxpayers who have special addresses that are not designed into the ITS mailing program logic.	Open	The Compliance Administration maintains tracking logs and samples returned mail to determine causes. RP/TA and CSA are developing a quality control process.	Open - Logs are no longer the primary tool for tracking returned mail. All returned mail is scanned and the account is treated appropriately by the sending administration. This change in process should support better analysis of address issues.
Proactive Survey at the OTR's Returns Processing Administration	12-02-01: OTR	1.	DCFO, OTR determine potential effects of decisions related to turning off any internal controls. A pre-decision research and analysis would guide OTR management to adjust the review criteria or increase the review/audit materiality levels instead of turning off internal controls.	Open	On 10/19/12 OTR and TSG management reviewed the ITS review criteria. Several questions were raised. TSG will research these questions and provide responses by 12/31/2012.	Closed - These reports were reviewed. This will also be a part of the new system implementation to define the necessary review criteria.
Proactive Survey at the OTR's Returns Processing Administration	12-02-01: OTR	3.	DCFO OTR, assign a team of tax examiners, auditors and IT specialists to take necessary actions to fix the system problem transactions.	Open	OTR has fixed the systemic problems that could be fixed in the current system. OTR has analyzed the issues noted, and included findings in the requirements for the tax system replacement.	Overlaken by Events - This work will be performed as a new System replacing ITS is implemented. The contract award for the new system was completed in July 2014.
Audit of the Office of Tax and Revenue Audit Division's Process for Selecting Tax Returns for Examination and Audit	OIO-10-1-02-OTR	1	Develop annual risk assessments and methodologies for all non real property tax returns that incorporate the prior year audit results and significant changes in the statutes and regulations.	Closed	The Audit Division has developed a return classification program that incorporates prior year information, new legislation, and other factors into a blueprint for the selection of returns for audit. When new legislation is approved it is added to the workplan accordingly. This program was developed in March of 2011.	Closed
Audit of the Office of Tax and Revenue Audit Division's Process for Selecting Tax Returns for Examination and Audit	OIO-10-1-02-OTR	2	Incorporate the JA Standards for Planning, or similar guidance into the annual planning process.	Closed	The Compliance Administration has developed a workplan based on IRS standards that requires the examination of returns across 14 tax types to ensure adherence to laws and regulations. This workplan was finalized in September of 2011.	Closed
Audit of the Office of Tax and Revenue Audit Division's Process for Selecting Tax Returns for Examination and Audit	OIO-10-1-02-OTR	3	Develop an annual risk based audit plan that incorporates estimates of staff availability and risk assessments.	Closed	The classification program developed in March of 2011, together with aspects of the workplan finalized in September of 2011, provides the Audit Division with a risk based audit plan that incorporates staff availability and risk assessments.	Closed

ATTACHMENT 1
STATUS OF OIO AUDIT RECOMMENDATIONS

TITLE	JOB NO.	#	RECOMMENDATIONS	STATUS PER OIO MEMORANDUM	OFCO RESPONSE/UPDATE	OTR RESPONSE/UPDATE AS OF JULY 22, 2014
Audit of the Office of Tax and Revenue Audit Division's Process for Selecting Tax Returns for Examination and Audit	OIO-10-1-02-OTR	4	Revise the Monthly Metrics Report to include all tax return types and reflect the data in the annual plan.	Closed	The revised Monthly Metrics Report was implemented in June of 2011, and includes all necessary tax types. The data gathered is reflected in the annual audit workplan.	Closed
Audit of the Office of Tax and Revenue Audit Division's Process for Selecting Tax Returns for Examination and Audit	OIO-10-1-02-OTR	6	Use experienced auditors to screen returns selected for examination and audit prior to assignment to another auditor decreasing the number of "no change" returns; and increasing the audit quality of the returns and the potential additional tax assessments. The reason for rejection of any selected returns should be documented.	Closed	Experienced DS-12 and DS-13 Tax Auditors currently make up the team designated to screen returns selected for examination prior to assignment. The process includes documentation of the reasons for rejecting selected returns. This process was finalized in FY12. Continuing oversight is accomplished through reviews by division chief and senior manager.	Closed
Audit of the Office of Tax and Revenue Audit Division's Process for Selecting Tax Returns for Examination and Audit	OIO-10-1-02-OTR	7	Revise the process for review and assignment of taxpayer and return referrals to ensure independence in the referral/audit process. For example, requiring all the auditors involved in the planning, execution, or review of the audit to sign an independence statement.	Closed	Cases are assigned by managers and the Review and Conference Unit. An Independence Statement is not enforceable. The Code of Conduct and division policies and procedures pertinent to the planning, execution and review of audits is reinforced during division staff meetings.	Overtaken by Events
Audit of the Office of Tax and Revenue Audit Division's Process for Selecting Tax Returns for Examination and Audit	OIO-10-1-02-OTR	10	Direct specific procedures for the preparation of work papers, indexing, and audit documentation.	Closed	The Audit division has developed specific procedures for the preparation of workpapers, indexing, and audit documentation. Revised documents were issued to employees in January 2010.	Closed
Audit of the Office of Tax and Revenue Audit Division's Process for Selecting Tax Returns for Examination and Audit	OIO-10-1-02-OTR	11	Mandate that R&C and Audit Division management develop a documented quality control system for all examinations and audits.	Closed	The Audit Division implemented a post-audit review process during FY 2010. The Review and Conference group reviews closed cases to identify trends and patterns for training purposes. Policies and procedures were finalized in FY12.	Closed - The Audit Division has since revised its quality review procedures. Since 100% of audit cases requiring adjustments are submitted to Review & Conference during the Audit, the Unit Manager now utilizes Send-Back Notices to perform the quality review.
Audit of the Office of Tax and Revenue Audit Division's Process for Selecting Tax Returns for Examination and Audit	OIO-10-1-02-OTR	12	Direct that R&C, based on the results of quality control reviews, provide training on a group and individual level. Training should include the Audit Division's policies and procedures, audit standards, preparation of work papers, audit evidence, preparation of audit reports, and quality control standards.	Closed	Since FY11, Compliance has conducted mandatory training for Audit employees developed, coordinated and facilitated by Senior Tax Auditors from Audit and Review and Conference. Training agendas have included policies and procedures, audit standards, preparation of work papers, monthly report preparation, and quality control standards.	Closed

ATTACHMENT 1
STATUS OF OIO AUDIT RECOMMENDATIONS

TITLE	JOB NO.	#	RECOMMENDATIONS	STATUS PER OIO MEMORANDUM	OCFO RESPONSE/UPDATE	OTR RESPONSE/UPDATE AS OF JULY 22, 2014
Audit of the Office of Tax and Revenue Audit Division's Process for Selecting Tax Returns for Examination and Audit	OIO-10-1-02-OTR	14	Revise the policies, procedures, and systems used to report Audit labor distribution and areas of effort. Supervisory review and certification should be mandated in the revised policies.	Closed	Policies, procedures, and systems used to report labor distribution have been revised. The monthly distribution report has been developed and was implemented in June of 2011. Managers, the Senior Supervisory Tax Auditor, and the Division Chief conduct IPP-mandated reviews of the reports on a monthly and quarterly basis.	Closed
Audit of the Office of Tax and Revenue Audit Division's Process for Selecting Tax Returns for Examination and Audit	OIO-10-1-02-OTR	15	Establish standard definitions of the activities that should be included in the standardized monthly time reports and the combinations of lines to combine in the monthly summaries. Consideration should be given to electronic spreadsheets that are protected except for cells where the employee enters their time distribution.	Closed	A desk guide has been developed that contains standard definitions of the activities included in the monthly report, as well as the data appearing in the monthly summaries. All cells in the report are protected, with the exception of those that employees use to enter necessary data. This desk guide was completed in June 2011.	Closed
Audit of the Office of Tax and Revenue Audit Division's Process for Selecting Tax Returns for Examination and Audit	OIO-10-1-02-OTR	16	Require all Audit staff report their labor distribution on a monthly basis.	Closed	All Audit Division employees are required to report labor distribution on a monthly basis. This requirement is included in FY12 employee IPP's.	Closed
Audit of the Office of Tax and Revenue Audit Division's Process for Selecting Tax Returns for Examination and Audit	OIO-10-1-02-OTR	17	Perform a periodic independent review a selection of the labor distribution reports for accuracy, consistency, and reasonableness.	Closed	Audit Managers, the Senior Supervisory Tax Auditor, and the Division Chief conduct mandated reviews of the labor distribution reports on a monthly and quarterly basis to determine accuracy, consistency, and reasonableness. Employee feedback is provided. This practice was implemented in June of 2011.	Closed
Final Management Alert on Lack of Address Cleaning Process on Real Properties Tax Administration Mailing Database	MAR 10-2-26-OTR	1	The OTR DCFO issue an Executive order to allow OCIO/TSG and the relevant RPTA personnel to perform an address cleaning process and update the RPTA mailing address database to avoid or minimize the unnecessary cost of processing undelivered mail and lost/delayed collection of real property tax revenue.	Closed	A legal opinion was secured. Employees were instructed on address change procedures. This allowed OTR to minimize the cost of undelivered mail and facilitates RPTA's continuing clean-up of addresses going forward.	Closed
Final Management Alert on Lack of Address Cleaning Process on Real Properties Tax Administration Mailing Database	MAR 10-2-26-OTR	3	The RPTA Director use all available information in the land records at the ROD or other information available at the OTR, as required by the DC Code sec 42.405(a) and (b).	Closed	RPTA does use data provided by ROD (FPT) at original recordation. Subsequent actions may cause this address to be unreliable or superseded and is of limited usefulness.	Closed
1099-G Certain Government Payments	11-02-14-OTR	1.	Request a system modification to ensure the 1099-G file is compliant with the IRS filing requirements going forward.	Closed	To meet this requirement System Change Request (SCR) #6117 was implemented in ITS on 12/28/11. With this system Change, as per IRS regulations, all refunds of \$10 or more are reported to IRS.	Closed

ATTACHMENT 1
STATUS OF OIG AUDIT RECOMMENDATIONS

TITLE	JOB NO.	#	RECOMMENDATIONS	STATUS PER OIG MEMORANDUM	OCFO RESPONSE/UPDATE	OTR RESPONSE/UPDATE AS OF JULY 22, 2014
1099-G Certain Government Payments	11-02-14-OTR	2	Require a review and approval by the OTR General Counsel on filing season system modifications to ensure compliance with local and federal laws and requirements.	Closed	An OGC representative participates on the filing season readiness committee.	Closed
Audit of the Process Used to collect Tax Revenues through Gov One.	OIO-10-01-01-OTRa	3	Mandate development of a joint review and certification process for the review and approval of all Wachovia banking analysis statements and GovOne invoices. This revised review and certification process should provide a reasonable assurance that both OTR and OFT will comply with the payment timeline requirements of the DC Quick Payment Act.	Closed	Invoices are submitted through the Office of Finance and Treasury; Contracting Officer Technical Representative (COTR). They are then forwarded to the Returns Processing Administration (RPA) Lockbox Coordinator for reconciliation and approved by the RPA Director and returned to OFT for payment.	Closed
Audit of the Process Used to collect Tax Revenues through Gov One.	OIO-10-01-01-OTRa	4	Mandate the development of specific requirements to be included in the lockbox services contract which addresses the protection of PII by the prime and subcontractors. These requirements should be developed using the guidance provided in Title 31 Section 6013 of the U.S. Code, IRS Publication 1075 and 4557 and NIST SP 800-122 and SP 800-53. The requirements should include a process of notification for OCFO should a potential or actual loss of PII by a contractor occur.	Closed	OFT agreed with the recommendation and worked with OMA to have the appropriate language inserted into the new banking services contract. The language requires that the prime and any subcontractors comply with the IRS Publication 1075, and NIST Special Publications 800-53 and 800-122.	Closed
Audit of the Process Used to collect Tax Revenues through Gov One.	OIO-10-01-01-OTRa	5a.	Request the CO amend the OTR lockbox services contract to include specific requirements that the prime and all subcontractors process tax payments or data to annually submit a SAS 70 Type 2 report prepared by an independent source to the CO and COTR, and the COTR perform periodic site visits.	Closed	OTR has included the requirement in the lockbox contract. Also, OTR resumed periodic site visits, averaging two per year in 2011.	Closed
Audit of the Process Used to collect Tax Revenues through Gov One.	OIO-10-01-01-OTRa	5b.	Request the CO amend the OTR lockbox services contract to include requirements for the protection of taxpayer data and PII, including the procedures to address data and PII that may have been lost or compromised. These requirements should be provided by OTR and OFT.	Closed	Overall data protection is a part of the current contract, and the Bank has stringent data protection standards. The lockbox vendor is currently verifying the subcontractor adherence to the Bank's security standards. OTR and the Office of Finance and Treasury visit the lockbox facilities to monitor compliance with our security requirements for Taxpayer Information (TPI). They are required to maintain the same security as OTR does internally. During these visits OTR will document any security issues observed during this on-site review.	Closed - GOV One no longer used.
Audit of the Process Used to collect Tax Revenues through Gov One.	OIO-10-01-01-OTRa	6.	Require the OC to provide written justification in the contract file for decisions not to require the CO's consent to subcontract or documentation approving the subcontractor(s).	Closed	The Executive Director, OMA concurred with the recommendation. He stated that OCFO COs will comply with requirements of 27 DCMR 2800 including providing a written justification for not requiring the approval of subcontractors.	Overtaken by Events - GOV One no longer used.
Audit of the Process Used to collect Tax Revenues through Gov One.	OIO-10-01-01-OTRa	7.	(a) Determine whether the unsupported charges were for services provided to OTR. (b) Recover the \$8,800 for payment receipt services that were not provided. (c) Recover the \$1,095 of overcharges for the touch-tone for the telephone payments made in December 2009, February, and March 2010. (d) Recover funds for any costs that were not fully supported and services not provided to OTR.	Closed	These items were cleared in the Wachovia final bill reconciliation.	Closed

ATTACHMENT 1
STATUS OF OIO AUDIT RECOMMENDATIONS

TITLE	JOB NO.	#	RECOMMENDATIONS	STATUS PER OIO MEMORANDUM	OCFO RESPONSE/UPDATE	OTR RESPONSE/UPDATE AS OF JULY 22, 2014
Audit of the Process Used to collect Tax Revenues through Gov One.	OIO-10-01-01-OTR ^a	9.	Revise the communication procedures to allow TSG staff to raise technical issues directly with the Gov One technical staff. Reporting these issues and their resolution to the COTR can be done on an after the fact basis.	Closed	Due to constraints in contracting protocol, OTR has developed a process where technical issues are raised through TSG but communicated to the vendor via RPA per contract. A document tracking system (Tracks) has been put into place to ensure the information is delivered timely and resolved quickly. Tracks is monitored weekly.	Closed
Audit of the Process Used to collect Tax Revenues through Gov One.	OIO-10-01-01-OTR ^a	10.	Request that the CO include an additional COTR from OTR. In the lockbox services contract. This additional COTR could be responsible for addressing the operational issues raise by the OTR units directly with the prime contractor.	Closed	OTR has established an additional contact with the Bank to address operational issues.	Overlaken by Events - GOV One no longer used.
Audit of Internal Controls over Federal Tax Adjustments	OIO-11-01-08-OTR	2.	Assign a team of tax auditors to process and close the aged inventory of federal tax adjustments.	Closed	A team of Tax Auditors was assigned to process and close the aged inventory of federal adjustments in FY11 and FY12. The task was completed fully in September of 2012.	Closed
Audit of Internal Controls over Federal Tax Adjustments	OIO-11-01-08-OTR	4.	Design monthly inventory report for each tax auditor to show beginning inventory of the month, cases received during the month, cases closed during the month, and ending inventory.	Closed	The Audit Division's Monthly Labor Distribution Report includes all necessary case statistics, including beginning inventory, cases received, cases closed, and ending inventory. This report was implemented in June of 2011.	Closed
Audit of Internal Controls over Federal Tax Adjustments	OIO-11-01-08-OTR	5.	Instruct staff to complete federal tax adjustments on a FIFO basis. Supervisors should review the inventory report to ensure the inventory is worked on a FIFO basis.	Closed	Audit staff has been instructed to work all cases, including Federal Adjustments, on a FIFO basis, unless priorities/circumstances require immediate attention to a particular case. Managers review the employee reports on a monthly basis to ensure that inventory is worked in this manner. These policies were reinforced in staff meetings throughout FY12.	Closed
Audit of Internal Controls over Federal Tax Adjustments	OIO-11-01-08-OTR	6.	Maintain a detailed inventory listing of all federal adjustments received and the disposition of the case to provide management with an effective tool to measure the program.	Closed	A detailed inventory tracking log that includes case disposition information is maintained by analysts on the Compliance Director's staff in order to measure the program. This new tracking system was implemented in June of 2012.	Closed
Audit of Internal Controls over Federal Tax Adjustments	OIO-11-01-08-OTR	7.	Consider revising SMART Goals for tax auditors based on grade and experience.	Closed	FY12 Audit IPP's were revised to include case closure in SMART Goals, updated to reflect differing grades and experience.	Closed
Audit of Internal Controls over Federal Tax Adjustments	OIO-11-01-08-OTR	8.	Provide training courses to the tax auditors and the tax audit managers on understanding the EOAD's returns from the IRS and their effects on D.C. tax returns.	Closed	Several Federal Adjustment training classes were conducted for Audit and Collection employees in FY12. Training focused on understanding the EOAD report, its effect on the DC return, and how to complete the adjustment. Continuing education is provided every year.	Closed
Audit of Internal Controls over Federal Tax Adjustments	OIO-11-01-08-OTR	9.	Establish an internal control policy for the audit assistant to return the CDs to the Program Analyst within 30 days from receiving them.	Closed	The Compliance Administration has established an internal control policy that removes the Audit Assistant as well as CD creation/tracking from the Federal Adjustment process. Data is now provided via download, eliminating the management of the CD. The information is logged by the senior analyst and monitored. A Desk Guide detailing this process was completed in September of 2012.	Closed

ATTACHMENT 1
STATUS OF OIO AUDIT RECOMMENDATIONS

TITLE	JOB NO.	#	RECOMMENDATIONS	STATUS PER OIO MEMORANDUM	OCFO RESPONSE/UPDATE	OTR RESPONSE/UPDATE AS OF JULY 22, 2014
Audit of the OTR Collection Division's Administration of the Offers in Compromise Program	OIO-11-01-05-OTR	1.	Align policies and procedures and the OTR-10 to reflect practices followed by the Revenue Officers and others involved with the OIC application review process.	Closed	The Collection Division completed revision of the OIC policies and procedures on 9/30/2011. Staff has been briefed and has since been following the newly revised policies when considering Offers-in-Compromise.	Closed
Audit of the OTR Collection Division's Administration of the Offers in Compromise Program	OIO-11-01-05-OTR	2.	Redesign the OIC policies and procedures to include all of the required actions to be completed by the Revenue Officers and others involved in the review and approval of OIC applications	Closed	The Collection Division completed revision of the OIC policies and procedures on 9/30/2011. Revised procedures include all required Revenue Officer and management review and approval actions.	Closed
Audit of the OTR Collection Division's Administration of the Offers in Compromise Program	OIO-11-01-05-OTR	3.	Revise the policy that required the Revenue Officers to assist taxpayers in the preparation of the OIC application	Closed	The Collection Division completed revision of the OIC policies and procedures on 9/30/2011, including the policy that required Revenue Officers to assist taxpayers in the preparation of the OIC application.	Closed
Audit of the OTR Collection Division's Administration of the Offers in Compromise Program	OIO-11-01-05-OTR	4.	Develop specific minimum documentation standard for all OIC application files.	Closed	Specific minimum documentation standards have been developed. OIC files are generated and maintained for the duration of the OIC. Files are kept in a secured file room. This revised practice was implemented in FY12.	Closed
Audit of the OTR Collection Division's Administration of the Offers in Compromise Program	OIO-11-01-05-OTR	5.	Require that the Supervisory Revenue Officers and the Branch Chief review each OIC file for compliance with the minimum standards and document the review within the file.	Closed	The Supervisory Revenue Officer and Branch Chief review requirements were included in the revised policies and procedures completed on 9/30/2011 and implemented in FY12. Files are reviewed for compliance with the minimum standards, and the review is documented within the OIC file.	Closed
Audit of the OTR Collection Division's Administration of the Offers in Compromise Program	OIO-11-01-05-OTR	6.	Evaluate and update the current policies and procedures to ensure that all OIC application files are properly documented.	Closed	Evaluation/revision of the OIC policies and procedures was completed on 9/30/2011. Specific minimum documentation standards have been developed. OIC files are generated and maintained for the duration of the OIC. Files are kept in a secured file room. A tracking log containing all OIC's is also maintained by clerical staff within the Collection Division. These revised practices were implemented in FY12.	Closed
Management Alert: The Office of Tax and Revenue Has Not Restricted Access to Certain High-Profile Taxpayers and Employees	OIO-11-02-16-OTR	1.	Reinforce the browsing policy with all employees and administrations.	Closed	In addition to the antibrowsing training that is included with the annual UNAX training by the IRS, OTR Managers review the browsing policy with their employees at all annual training sessions. The browsing policy was reinforced by management in administrations staff meetings during FY12.	Closed

ATTACHMENT 1
STATUS OF OIO AUDIT RECOMMENDATIONS

TITLE	JOB NO.	#	RECOMMENDATIONS	STATUS PER OIO MEMORANDUM	OCFO RESPONSE/UPDATE	OTR RESPONSE/UPDATE AS OF JULY 22, 2014
Management Alert: The Office of Tax and Revenue Has Not Restricted Access to Certain High-Profile Taxpayers and Employees	OIO-11-02-16-OTR	2.	Review the restricted taxpayer file to ensure all high profile taxpayers and employees that live in the District are properly restricted.	Closed	OTR did undertake a complete review of its high-profile taxpayers and employees to restrict access.	Overtaken by Events - The new CFO has made the decision to reduce the restricted access list to the President and the Mayor. We will look at a way to effectively track employee access in the new system when implemented.
Management Alert: The Office of Tax and Revenue Has Not Restricted Access to Certain High-Profile Taxpayers and Employees	OIO-11-02-16-OTR	4.	Continue to monitor browsing reports to identify attempts to access restricted accounts.	Closed	The browsing report is sent by CSA on a monthly basis to those administrators who have employees appearing on the report. When received, the directors review to determine if further action is required.	Overtaken by Events - The new CFO has made the decision to reduce the restricted access list to the President and the Mayor. We will look at a way to effectively track employee access in the new system when implemented.
Final Fraud Follow-up Report: Individual Income Tax Refunds Issued Fraudulently	OIO-0011-0088	1.	Modify user classes within the ITS to remove the ability for an employee to both adjust and approve refunds within an account.	Closed	In the first two quarters of CY12 a detailed, comprehensive review of all ITS User Classes was performed to remove the ability for an employee to both adjust and approve refunds within an account. By the end of this review on 5/9/2012 changes had been made to User Classes and employees were appropriately assigned to the new User Class schema across all OTR administrations. Going forward the OTR directors will perform a quarterly review of the TAS Security Reports to ensure employees continue to be appropriately assigned to the ITS User Classes.	Closed
Final Fraud Follow-up Report: Individual Income Tax Refunds Issued Fraudulently	OIO-0011-0088	2.	Review tracking logs and compare the logs to the adjustment report to determine if accounts were adjusted that were not assigned to an employee.	Closed	The Adjustment Unit Manager compares the Daily Adjustment Transaction Report to the Compliance Administration Adjustment Log on a daily basis to ensure that all adjustments appearing on the report are related to adjustments assigned to unit employees. This adjustment report is used by all administrations.	Closed - Compliance has made additional changes to its adjustment review process, but still ensures that adjustments made by unit employees correspond to an approved request. High risk adjustments are identified using the report, and the legitimacy is verified by ensuring that the adjustment appears in the tracking log, and that requestor and adjuster notes have been entered into ITS.
Final Fraud Follow-up Report: Individual Income Tax Refunds Issued Fraudulently	OIO-0011-0088	3.	Restrict the ability to modify direct deposit information to select employees most likely within the CSA.	Closed	OTR made the decision to prevent any ITS user from modifying direct deposit information. To meet this requirement System Change Request (SCR) #6383 was implemented in ITS on 12/08/11. This software change provides for the protection of the TAS account detail window bank account fields (Bank account type, routing number and bank account number) at all times. The only way to add or modify bank account information is for the taxpayer to include new/modified bank account information on their return.	Closed

ATTACHMENT 1
STATUS OF OIO AUDIT RECOMMENDATIONS

TITLE	JOB NO.	#	RECOMMENDATIONS	STATUS PER OIO MEMORANDUM	OCFO RESPONSE/UPDATE	OTR RESPONSE/UPDATE AS OF JULY 22, 2014
Final Fraud Follow-up Report: Individual Income Tax Refunds Issued Fraudulently	OIO-0011-0088	5.	Perform a periodic review or testing of refunds going to the same bank account or multiple refunds to the same taxpayer for the same tax period.	Closed	This review is conducted on a daily basis in RAA.	Closed
Final Fraud Follow-up Report: Individual Income Tax Refunds Issued Fraudulently	OIO-0011-0088	7.	Ensure the withholding adjustment transaction type is included in the adjustment transaction report for management review.	Closed	To meet this requirement System Change Request (SCR) #6156 was implemented in ITS on 08/02/11. In addition to the withholding credits, tax credits and garnishments were also added to the Daily Adjustment Report (by primary organization of the employee) and the new Daily Adjustment report (by transaction type).	Closed
Final Fraud Follow-up Report: Individual Income Tax Refunds Issued Fraudulently	OIO-0011-0088	9.	Forward any questionable returns to the Compliance Administration Audit Division and/or Criminal Investigation Division for further action.	Closed	The Compliance Administration's Audit and Criminal Investigation Divisions regularly receive referrals from CSA and RAA, with increases during filing season. The divisions review all referrals received to determine and carry out an appropriate course of action.	Closed
Audit of Internal Controls over Undelivered Mail and Address Change Processes at the Office of Tax and Revenue	OIO-10-2-26-OTR	2.	Review the ITS mailing program hierarchical table that updates new addresses from current tax year returns to ensure that the program updates the taxpayer's primary and mailing addresses where the current tax return captures the current and more up to date information about the taxpayer's address so that ITS generates correct and proper USPS mailing labels for OTR outgoing mail.	Closed	On 10/05/12 the OTR senior management was provided a spreadsheet of address hierarchy information that is currently used in the ITS system to determine what address to use when sending outgoing USPS mail. OTR has validated the hierarchy. It has been determined that it is not a root cause for the volume of undelivered mail.	Closed
Audit of Internal Controls over Undelivered Mail and Address Change Processes at the Office of Tax and Revenue	OIO-10-2-26-OTR	9.	Train employees to select the best known address when mailing manual certified mail and notices.	Closed	Compliance has provided training to its employees. RPTA has a review process prior to mailings to confirm best addresses. Wells Fargo sends all addresses through Code One, a USPS tool to help identify best addresses.	Closed
Audit of Internal Controls over Undelivered Mail and Address Change Processes at the Office of Tax and Revenue	OIO-10-2-26-OTR	10.	Review and restrict ITS access security profiles for employees to ensure that no employees have ITS access or update capability on their own tax profiles	Closed	In the first two quarters of CY12 a detailed, comprehensive review of all ITS User Classes was performed to remove the ability for an employee to both adjust and approve refunds within an account. By the end of this review on 5/9/2012 changes had been made to User Classes and employees were appropriately assigned to the new User Class schema across all OTR administrations. Going forward the OTR directors will perform a quarterly review of the TAS Security Reports to ensure employees continue to be appropriately assigned to the ITS User Classes.	Closed
					In addition the Daily Adjustment Reports are reviewed by managers to ensure on-line adjustments made by employees are proper.	

ATTACHMENT 1
STATUS OF OIO AUDIT RECOMMENDATIONS

TITLE	JOB NO.	#	RECOMMENDATIONS	STATUS PER OIO MEMORANDUM	OCFO RESPONSE/UPDATE	OTR RESPONSE/UPDATE AS OF JULY 22, 2014
Proactive Survey at the OTR's Returns Processing Administration	12-02-01: OTR	2.	DCFO, OTR coordinate with the Office of Contracts to modify any existing contracts for temporary employment services to include a standard clause that allows the District to conduct background investigations on contractors. In the interim, OTR management should request the vendor for temporary employment services provide supporting documentation of background investigations, if any, conducted for temporary employees hired by OTR.	Closed	The Office of Contracts is including this in any new contracts or renewals for OTR temporary services. Working in conjunction with OIO, beginning in February 2012 all current and any future temporary employees are required to complete the "Authorization for Release of Information" to be submitted to OIO.	Closed
Audit of the Office of Tax and Revenue Audit Division's Process for Selecting Tax Returns for Examination and Audit	OIO-10-1-02-OTR	5	Modify the ITS selections to increase the sensitivity to the items selected and the score that must be obtained for selections as a potential examination or audit.	Overtaken by Events	ITS does not support this functionality. Requirements for this functionality have been included for the tax system replacement. In the interim, Compliance uses a classification system to support audit case selection.	Overtaken by Events
Audit of the Office of Tax and Revenue Audit Division's Process for Selecting Tax Returns for Examination and Audit	OIO-10-1-02-OTR	8	Direct the development of GAGAS compliant and comprehensive policies, procedures, and practices for conducting examinations and audits.	Overtaken by Events	GAGAS is applicable to financial audits and is not appropriate for tax audits. The Audit Division enhanced its policies and procedures for conducting examinations and audits during FY12, using the relevant IRS standards.	Overtaken by Events
Audit of the Office of Tax and Revenue Audit Division's Process for Selecting Tax Returns for Examination and Audit	OIO-10-1-02-OTR	9	Mandate documented compliance with the independence standards of the GAGAS and the Code of Conduct. For example, requiring auditors to sign an independence statement.	Overtaken by Events	GAGAS is applicable to financial audits and is not appropriate for tax audits. The Audit Division enhanced its policies and procedures for conducting examinations and audits during FY12, using the relevant IRS standards.	Overtaken by Events
Final Management Alert on Lack of Address Cleaning Process on Real Properties Tax Administration Mailing Database	MAR-10-2-26-OTR	2	The OTR RPTA Director in conjunction with the OCIO TSG collaborate with the OCIO GIS project personnel to investigate and correct (if deemed necessary) the inconsistencies between the ITS addresses and GIS MAS.	Overtaken by Events	The Master Address Repository (MAR, but referenced as MAS in the recommendation) is a file maintained by DCRA. It contains premise addresses - not mailing addresses- and cannot be used as suggested.	Overtaken by Events
Final Management Alert on Lack of Address Cleaning Process on Real Properties Tax Administration Mailing Database	MAR-10-2-26-OTR	4	If the District is unable to locate the interested party after performing recommendation 3 above, the RPT Director consider assessing a fee against the interested party as allowed by DC code sec. 42.405.	Overtaken by Events	Per the recommendation, OTR has reviewed this option and concludes that it is not practical to execute.	Overtaken by Events

ATTACHMENT 1
STATUS OF OIO AUDIT RECOMMENDATIONS

TITLE	JOB NO.	#	RECOMMENDATIONS	STATUS PER OIO MEMORANDUM	OFCO RESPONSE/UPDATE	OTR RESPONSE/UPDATE AS OF JULY 22, 2014
Audit of Internal Controls over Federal Tax Adjustments	OIO-11-01-08-OTR	1.	Request the Tax Systems Group establish an application within the ITS to process the RAR's received from the IRS electronically	Overtaken by Events	OTR scoped the level of effort as High. Therefore, OTR will not be pursuing the electronic receipt at this time. However, the Audit Division reviews the reports received from IRS, selects the most yielding cases and assigns them to Auditors.	Overtaken by Events - Currently, the Audit Division processes all RARs received from the IRS, and will continue to do so until the process is automated.
Audit of Internal Controls over Federal Tax Adjustments	OIO-11-01-08-OTR	3.	Revise the policy on penalty calculation to impose penalty on all federal tax adjustments (whether RAR's or CP2000) that result in D.C. tax liability.	Overtaken by Events	The auditors assess penalties and interest on the accounts when the liability is determined. However, the system does not post the penalty until after the 21 day period and the 30 day period. This is a systemic issue and cannot be resolved at the Administration level. Per DC Code Section 47-4201 (b) (1) Except as provided under paragraphs (1) and (2) of this subsection, interest shall be imposed at the underpayment rate set forth in subsection (3) of this section on an assessable penalty or addition to the tax only: (A) if the assessable penalty or addition to the tax paid is not paid within 21 calendar days after the date of notice and demand. DC Code 47-7213 a.3. states that "in the case of a failure to pay an amount in respect of the tax that is required to be shown on a return specified in paragraph (1) of this subsection which is not shown (including an assessment made under this title), within 30 calendar days from the date of notice and demand for payment, unless it is shown that failure is due to reasonable cause and not willful neglect there shall be added to the amount of tax stated in the notice and demand 5% for each additional month or fraction thereof	Overtaken by Events
Final Fraud Follow-up Report: Individual Income Tax Refunds Issued Fraudulently	OIO-0011-0088	8.	Obtain listings from DCPs, OFT and other agencies to ensure that claimants are actually entitled to various credits.	Overtaken by Events	OTR determined that the best way to address valid claimants was in the audit program where claimant information is verified.	Overtaken by Events
Audit of Internal Controls over Undelivered Mail and Address Change Processes at the Office of Tax and Revenue	OIO-10-2-26-OTR	11.	Improve ITS data integrity by: (a) Requesting the TSG to produce a report of taxpayers with multiple account profiles in ITS on a regular basis. (b) requesting the TSG to produce a report of taxpayers with multiple tax identities in ITS (c) review the reports to determine whether those taxpayers should have multiple account profiles, and/or multiple tax identities and perform the necessary corrections.	Overtaken by Events	OTR will not be implementing this recommendation as a part of on-going maintenance of ITS as ITS is being replaced. However, prior to conversion to the new system, these accounts will be cleaned up as part of the overall conversion project. OTR will allow the system to continue to create multiple profiles to avoid congestion to the review queue causing a dilutive effect to the primary purpose of review items. The system's algorithm for assigning new profiles does allow the user to identify connected multiple profiles.	Overtaken by Events - This will be addressed in data cleansing for the new tax system.