

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



**Jeffrey S. DeWitt**  
Chief Financial Officer

March 7, 2016

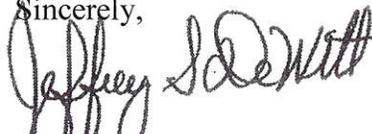
The Honorable Jack Evans  
Chairman  
Committee on Finance & Revenue  
Council of the District of Columbia  
The John A. Wilson Building  
1350 Pennsylvania Avenue, NW, Suite 106  
Washington, DC 20004

Dear Chairman Evans:

This is in response to your letter dated February 11, 2016, regarding questions for the upcoming public oversight hearing on the FY 2015 and FY 2016 performance of the Office of the Chief Financial Officer scheduled for March 8<sup>th</sup>. Responses to the questions posed in your letter are attached for your review.

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

Sincerely,



Jeffrey S. DeWitt

Attachments

## **FY 2015 & FY 2016 Oversight Questions**

### **Office of the Chief Financial Officer**

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

*Please list this information by program and activity*

#### **RESPONSE**

Please see **Attachment 1A**, comprised of organizational charts covering all of the OCFO agency administrations. Additional detail on each of the agency positions may be found on **Attachment 1B - Schedule A**. The fringe benefits rate will vary for each employee and may change through the course of the year depending upon individual circumstances. Information on division roles and responsibilities is featured on **Attachment 1C – OCFO User’s Guide**.

2. Please provide the following:
  - a. A list of all employees who receive cellphones, personal digital assistants, or similar communications devices at agency expense;

#### **RESPONSE**

Please see **Attachment 2A**.

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

**RESPONSE**

The OCFO maintains a total of 13 vehicles as detailed in **Attachment 2B**. No vehicle is assigned for any employee's exclusive use. In addition to the fleet vehicles, we have arranged for OCFO staff to have access to the DC Shared Fleet, Enterprise Car Rentals and Zip Cars for business needs.

- c. A list of employee bonuses or special award pay granted in FY 2015 and FY 2016, to date;

**RESPONSE**

The OCFO did not grant or award any bonuses or special award pay to OCFO agency employees in FY 2015 or FY 2016 to date.

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

**RESPONSE**

The five attachments for travel (See **Attachments 2D-Summary, 2D-1, 2D-2, 2D-3 and 2D-4**) are presented to provide a complete picture of travel expenses incurred for both local and out-of-state travel as captured by both purchase cards and direct vouchers for FY 2015 and FY 2016 to date. The purchase card is normally used to pay for lodging, conference/ registration and transportation. A single purchase card holder may make a number of charges through the year to cover the travel costs for several employees in a single administrative area. An advance to the employee to cover per diem and miscellaneous expenses is paid through the use of a direct voucher.

- e. A list of the total overtime and workman's compensation payments paid in FY 2015 and FY 2016, to date.

**RESPONSE**

**Attachment 2E** presents, by program code, total overtime payments and related additional payments for shift differentials and on-call pay. The agency does not issue workman's compensation payments.

3. As part of last year's performance oversight process, your office mentioned the results of a staff survey that indicated a desire by the staff for additional technical training and that your office was working with various entities on the design, development, and implementation of such training. What is the status of this endeavor?

**RESPONSE**

Based on the results of a recent staff survey on training and education, the OCFO has established the OCFO University with four training institutes to further enhance the managerial skills, technical knowledge and the professional development of our staff. Through a blended learning approach, to include instructor-led and e-learning modules, we are committed to providing quality educational opportunities for OCFO employees.

4. Please provide an update and summary on actions taken in FY 2015 and FY 2016, to date to rollout and implement elements of the 2014 OCFO Strategic Plan.

**RESPONSE**

The OCFO will present this information at the Performance Oversight hearing on Tuesday, March 8.

5. How many employees were placed on Administrative leave for or during FY 2015? For FY 2016, to date? Please indicate the purpose/reason for Administrative leave.

**RESPONSE**

No agency employees were placed on Administrative leave during FY 2015. We have placed one employee in FY 2016 to date on Administrative leave. The employee was placed on Administrative leave pending the outcome of an investigation.

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

**RESPONSE**

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

7. Please provide a narrative description of the status of implementation of all your IT systems, including SOAR and MITS. Include in your response the contract award date for MITS and the status or completion of the ROD upgrade, the CAMA upgrade, the telephone call center upgrade (including anticipated date of completion), and the CCU accounts receivable system. Additionally, please include in your response an update on Phase 1 implementation of MITS and a schedule for Phase 2.

## **RESPONSE**

### **Modernized Integrated Tax System (MITS):**

The MITS project will replace the District's Integrated Tax System for business and individual taxes. Most of the project cost is for the design, development and implementation of the integrated system for the processing and billing of the various income and other tax types managed by the OCFO Office of Tax and Revenue (OTR). The contract was awarded and the project began on October 6, 2014. The first phase went live on October 26, 2015 for Individual Income, Fiduciary and Estate taxes. The second phase is expected to go live for Franchise (Corporate and Unincorporated) and Withholding tax types in October 2016. One significant element of Rollout 2, in addition to the new tax types being added, will be the launch of an enhanced taxpayer access portal (TAP) that will go live before the end of calendar year 2016, and will allow taxpayers to fully manage their accounts online, including the scheduling of payments and payment plans.

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

The DC Soar Replacement Project (DCSRP) will replace the District's current financial system and budget formulation system. The successful implementation of a new financial system will require extensive cooperation and collaboration with our program partners in the Office of Contracts and Procurement (OCP), the Office of the Chief Technology Officer (OCTO), and other agencies across the government. During FY2016, we will reach out to these stakeholders to develop an enterprise-wide implementation schedule. The current SOAR system continues to be supported, and allowed the OCFO to issue its 19<sup>th</sup> consecutive clean audit for the District for the year ending September 30, 2015.

### **Recorder of Deeds (ROD) Upgrade:**

The ROD upgrade was completed and implemented on February 24, 2014. The ROD System Upgrade provided residents better ability to interact with ROD through self-service. The software also supported immediate viewing of documents online and a variety of real-time management reports.

### **Computer Assisted Mass Appraisal (CAMA) Upgrade:**

The new version of CAMA went live on May 21, 2014, and was used for the current (TY 2016 and TY 2017) reassessment.

The CAMA system upgrade addressed a number of security and audit concerns.

### **Central Collection Unit (CCU) Accounts Receivable System:**

At this time, the CCU is preparing a revised statement of work (SOW) for the procurement of an automated accounts receivable system. The CCU anticipates contract award within 2016.

### **Telephony Upgrade:**

The OCFO evaluated options for upgrading or replacing the 15 year-old Aspect Telephony System used by OTR. The contract for this upgrade was awarded to Aspect on April 8, 2015. The project was initiated in May of 2015. Deployment consists of three phases with the first phase go-live date scheduled to commence –in the May 2016 timeframe for the OCFO Help Desk. The overall project is 60% complete, and is projected for completion in early fall 2016.

8. As part of last year’s performance oversight process, your office mentioned procuring an Appeals Tracking system that would integrate with the CAMA system and a statement of work to convert all the prior years that may be needed, so the old system can be retired. What is the status of the RFP for the Appeals Tracking system? What is the status of the project and the expected completion date?

### **RESPONSE**

A Request for Proposal (RFP) for the Appeals Tracking System was issued in December 2015 with an anticipated contract award timeframe of April 2016. The project will then go through an implementation phase with an anticipated completion date of October 2016, in time for TY 2018 assessment appeals.

9. Please list each contract, procurement, lease, and grant (“contract”) awarded, entered into, extended and option years exercised, by your agency during FY 2015 and FY 2016, to date. For each contract, please provide the following information, where applicable:
  - The name of the contracting party;
  - The nature of the contract, including the end product or service;
  - The dollar amount of the contract, including budgeted and actually spent amounts;
  - The term of the contract;
  - Whether the contract was competitively bid;
  - The name of the agency’s contract monitor and the results of any monitoring activity; and
  - Funding source.

### **RESPONSE**

Please see **Attachment 9**, which provides the information requested for the contracts that are issued by the OCFO and paid for from the agency’s budget. All of the listed contracts were competitively bid unless otherwise indicated. The listing shows all

agency contracts issued in FY 2015 and FY 2016 to date as well as contracts issued previously but still active. The “Initial Value” indicates the original amount of the contract award, and in some cases is a “Not to Exceed” amount. The “Actual Value” column shows the current year value or most recent option period value, including the value of any contract modifications.

10. Please provide a chart showing your agency’s approved budget and actual spending, by division, for FY 2015 and FY 2016, to date. In addition, please describe any variance between fiscal year appropriations and actual expenditures.

**RESPONSE**

Please see **Attachment 10A** and **Attachment 10B**.

11. Please list any reprogramming requests, in or out of the agency, which occurred in FY 2015 or FY 2016, to date. For each reprogramming, please list the total amount of the reprogramming request, the original purposes for which the funds were dedicated, and the new use of funds.

**RESPONSE**

Please see **Attachment 11**.

12. Please provide a complete accounting for all intra-District transfers received by or transferred from the agency during FY 2015 or FY 2016, to date.

**RESPONSE**

Please see **Attachment 12A** and **Attachment 12B**.

13. Please identify any special purpose revenue accounts maintained by, used by, or available for use by your agency during FY 2015 or FY 2016, to date. For each account, please list the following:
  - The revenue source name and code;
  - The source of funding;
  - A description of the program that generates the funds;
  - The amount of funds generated by each source or program in FY 2015 and FY 2016, to date; and
  - Expenditures of funds, including the purpose of each expenditure, for FY 2015 and FY 2016, to date.

**RESPONSE**

Please see **Attachment 13**.

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

## **RESPONSE**

- **BF211C – CFO\$olve**

CFO\$OLVE implemented an array of financial reporting tools for both financial and non-financial users. CFO\$olve applications, reports and dashboards have been developed and delivered to a number of different agencies including the Office of Finance and Resource Management (OFRM), Department of General Services (DGS) and DC Lottery. A new set of CFO\$olve applications (Capital Asset Booking and Support System (CABSS) and ORA Non-Tax revenue application) was implemented for the OCFO Office of Revenue Analysis (ORA), Office of Financial Operations and Systems (OFOS) and agency financial operations. The CABSS enhanced the expenditure classification and recording of capital asset transfers as well as provided automated reporting for Note 5 of the CAFR publication. CFO\$olve initiatives in the pipeline for the current year include: CFO\$olve infrastructure and application upgrade for enhanced performance and ease of reporting, automation of agency budget chapters through enhancements to the budget formulation application (BFA), financial plan publication for the Office of Budget and Planning(OBP) and refresh of Agency Operational Dashboard.

The CFO\$olve project plans to spend the available project balance of \$1,942,201 over the next 24 months on the initiatives referenced above and other enhancements to CFO\$olve, the Agency Operational Dashboard, and the public-facing CFOInfo sites.

- **BF301C - SOAR and Budget Modernization**

The DCSRFP will replace the District’s current financial system and budget formulation system. Following the successful development of an enterprise-wide implementation plan with OCTO, OCP, and other District agencies, the OCFO will resume preparations for replacing SOAR with a modern financial accounting and reporting system by identifying and securing sufficient subject matter expert resources for the project while maintaining ongoing operations. The current SOAR system continues to be supported, and allowed the OCFO to issue its 19<sup>th</sup> consecutive clean audit for the District for the year ending September 30, 2015.

Current available funding for the project totals \$24,311,695, with additional funding of \$44.5 million authorized in future budget periods.

- **CSP08C - Integrated Tax System Modernization (MITS)**

The MITS project will replace and modernize the District’s Integrated Tax System for business and individual taxes. Most of the project cost is for the design, development and implementation of the integrated system for the processing and billing of the various income and other tax types managed by OTR. The contract was awarded in the fourth quarter of FY 2014 with the project kickoff on October 6, 2014. The first phase went live on October 26, 2015 for Individual Income, Fiduciary and Estate taxes. The second phase is expected to go live for Franchise (Corporate and Unincorporated) and Withholding tax types in October 2016. One significant element of Rollout 2, in addition to the new tax types being added, will be the launch of an enhanced Taxpayer Access Portal (TAP) that will go live before the end of 2016, and will allow taxpayers to fully manage their accounts online, including the scheduling of payments and payment plans.

Current available funding for the project totals \$22,718,020 with additional approved funding of \$17 million included in the District’s Capital Plan for FY 2017 and beyond.

- **EQ940C / BF302C / CSP09C – Master Lease** covers capital investments associated with the new system enhancements as well as regular replacement of OCFO servers and support software. Master Lease funding currently available totals \$984,036.
- **CIM01 – Capital Infrastructure Plan (Capital Asset Replacement Scheduling System or “CARSS”)**

As part of the Fiscal Year 2015 Budget Support Act, effective February 26, 2015, the Council included a legislative requirement for the OCFO to develop and report on a Replacement Schedule for Capital Assets in October of each year. In addition, the Chief Financial Officer’s strategic plan, which was released in August 2014, included an initiative to develop a long-range capital financing plan for the District. In order to accomplish this goal it is critical to first create a centralized database of all District-owned assets and their respective condition so that a calculation of the costs to maintain or replace those assets can be performed. Therefore, the legislative requirement introduced by the Council coincided with, and was complimentary to, the necessary work in support of the strategic initiative. Additionally, the OCFO submitted a status report on the development of CARSS in October 2015, per the legislative requirement.

<b>Implementing Agency</b>	<b>Total Estimated Costs of Entire Project</b>	<b>Expenditures to Date</b>	<b>Start Date</b>	<b>Estimated Completion Date</b>
OCTO	\$1.5 M	\$220,000	May 2015	October 2017

**Current Status**

The project is being implemented in phases.

- Phase 1 – Proof of Concept – this was completed last summer with data confirmation from the agencies that provided data – OSSE (school buses), DDOT (street segments), and DCPS/DGS (schools facilities). The model was built around 3 asset types and modeled the replacement costs of those assets. These agencies, and asset types, were chosen to simulate the bulk of District-owned assets, representing fleet, horizontal infrastructure (roads, sidewalks, alleys, etc.) and buildings.
  - Phase 1.5 – This phase was done to model all current capital projects. The work with the vendor was completed in February and the model will be used to help formulate the FY 2017-FY 2022 CIP plan – modeling approximately 550 projects.
  - Phase 2.0 – This phase kicked off in February 2016 and will provide the design and structure for integrating data from all agencies, and has an estimated completion time of 12 months. Planned spending on this phase is \$620,000.
  - Phase 2.5 - We will begin work on modeling all assets for all agencies – and the total project will take about 18 months to fully implement. There will be Council approval required for the contract for this phase of the effort. This phase of the project is anticipated to spend the balance of the remaining budget for the CARSS project, approximately \$400,000.
15. Please provide a complete accounting of all federal grants received for FY 2015 and FY 2016, to date.

**RESPONSE**

The OCFO does not have any grants awarded directly to the agency. However, the administrative costs of food stamp distribution through debit cards is covered by the Supplemental Nutrition Assistance Program (SNAP) awarded to the Department of Human Services. Expenses are recorded for this activity in fund 8200 within the Office of Finance and Treasury (OFT). An annual MOU is signed between the OCFO and DHS to document OFT’s responsibilities for this activity. In addition to the regular disbursement, a related portion of the supplemental nutrition program is also being managed by OFT. The market access portion of the SNAP grant provides funding for equipment and related start-up costs for farmers’ markets to accept food stamp debit cards. This is a limited grant of less than \$18,000 to be disbursed starting in FY 2012 and ending in FY 2016. For both of these grant-funded activities, a total of \$420,923 was expensed in FY 2015 and a slightly higher amount of \$450,000 is projected for FY 2016. A total of \$2,422 of the market access funds remain, which will be disbursed in FY 2016.

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

**RESPONSE**

The Department of Small & Local Business Development (DSLBD) has set forth new policies that require District procurement offices to

- a) provide to DSLBD copies of all Contracts and Subcontracting Plans pursuant to DC Code 2-218.46(h)), and
- b) capture all expenditures to CBE subcontractors and submit to DSLBD a quarterly report pursuant to DC Code 2-218.46(i).

The regulation supporting both of the above requirements places the responsibility on the beneficiary -- defined in the regulation as the business enterprise that is the prime contractor or developer on a government-assisted project -- to satisfy this requirement. In order to enforce these regulations, however, DSLBD currently requires that District procurement offices fulfill these reporting requirements. In doing so, the OCFO is taking on the regular reporting functions (for supplying copies of all contracts, copies of all subcontracting plans, and quarterly reporting on CBE expenditures) which are functions required by District regulation of the beneficiary. This increased workload for OCFO will significantly add to the responsibilities of the OCFO Office of Contracts. In addition, the OCFO is unable to certify the accuracy of the expenditures tracked in a quarterly report of CBE spending since the OCFO's contractual relationship is with the beneficiary or prime contractor, not the subcontractor. Finally, any subcontractor payment reports we receive cannot be verified in the District's book of financial accounting record, SOAR.

We are concerned that any shortfalls in supplying all of the above information will be perceived and reported by DSLBD as noncompliance with the CBE law and regulations. We recommend that instead of requiring District procurement offices to provide this information -- beyond what the regulations require -- that DSLBD be given additional resources to perform any needed compliance checks or audits regarding CBE subcontracting and spending.

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

### **RESPONSE**

Regulations for which the OCFO is responsible for oversight or implementation are as follows:

- Title 1, Chapter 8, District of Columbia Employees Travel and Related Expenses, November 21, 1986
- Title 1, Chapter 9, Audit Standards for Governmental Organizations, Programs, Activities, and Functions, July 18, 1980
- Title 1, Chapter 11, Guidelines of the Board of Review for Anti-Deficiency Violations, May 11, 2007
- Title 1, Chapter 17, District of Columbia – Payment to Vendors (This also includes the Quick Payment Act regulations), November 18, 1988
- Title 1, Chapter 48, Investment of Public Funds: Repurchase Agreements, September 6, 1985
- Title 1, Chapter 56, Review and Approval of Information Technology Procurements, December 17, 2004
- Title 6, Chapter B26, Defined Contribution Pension Plan, Revised April 21, 2006
- Title 9, Chapter 1, Income And Franchise Taxes, March 14, 2014
- Title 9, Chapter 2, Inheritance And Estate Taxes, April 18, 1997
- Title 9, Chapter 3, Real Property Taxes, October 30, 2015
- Title 9, Chapter 4, Sales And Use Taxes, April 17, 2015
- Title 9, Chapter 5, Tax On Recordation Of Deeds, May 9, 2014
- Title 9, Chapter 6, Real Property Transfer Tax, March 15, 2013
- Title 9, Chapter 7, Personal Property Tax, April 18, 1997
- Title 9, Chapter 8, Motor Vehicle Fuel Tax, April 18, 1997
- Title 9, Chapter 9, Taxation Of Motor Fuel Consumed By Interstate Buses, April 18, 1997
- Title 9, Chapter 10, Cigarette Taxes, April 18, 1997
- Title 9, Chapter 11, Qualified High Technology Company, March 8, 2002
- Title 9, Chapter 20, Real Property Tax Appeals Commission, July 5, 2013
- Title 9, Chapter 30, Disposition Of Unclaimed Property, April 18, 1997
- Title 9, Chapter 31, Foreclosure Sale Of Real Property, November 1, 1968
- Title 9, Chapter 35, Gross Receipts Tax, September 25, 1987
- Title 9, Chapter 37, Estate Tax, April 18, 1997
- Title 9, Chapter 38, Central Collection Unit, March 1, 2013
- Title 9, Chapter 40, Tax Amnesty Program, April 18, 1997
- Title 9, Chapter 41, Toll Telecommunication Service Tax, April 7, 1989
- Title 9, Chapter 42, General Administration, March 23, 2012
- Title 9, Chapter 99, Definitions, August 3, 1990
- Title 19, Chapter 8, Public Library, September 21, 2007

- Title 31, Chapter 11, Public Vehicles for Hire Consumer Service Fund, January 8, 2016

18. Please list each new program implemented by the agency during FY 2015 and FY 2016, to date. For each initiative please provide:

- A description of the initiative;
- The funding required to implement to the initiative; and
- Any documented results of the initiative.

**RESPONSE**

In addition to the programs and initiatives in the OCFO Strategic Plan, **Attachment 18** charts the recent new programs in OTR. A summary of the MITS project status is included, in addition to the implementation of tax law changes and enhancements to our automated systems to improve customer service and/or generate additional revenue.

Also noteworthy are recent OCFO initiatives in OFT, OBP, and the Office of Management and Administration (OMA), which are highlighted below.

**Office of Budget and Planning - Property Use Tracking System (PUTS)**

Description	Results
<p>The District issues tax-exempt, long-term bonds to finance the purchase of much of its capital improvement program assets. The tax-exempt status of these issuances can be negatively impacted if the usage of these assets changes from public use (i.e., by the District government) to private use (e.g., charter school) or if the District receives revenue from private entities for use of the assets (Boy Scouts paying to hold meetings in a DCPS facility once a week).</p>	<p>With the support of the Office of General Counsel, OBP created a mechanism called the Property Use Tracking System (PUTS), which uses the Department of General Services (DGS) Archibus Database to ensure that we can track, report and take appropriate action as District-owned and controlled real property assets change use, and to track lease and tenant-DGS agreements. The property data is combined with financing data to create a complete tracking report. Mayor’s Order 2015-224: Transfers and Uses of Bond-Financed Public Property, requiring agency participation in the PUTS process, was released September 24, 2015.</p>

**Funding:**

<b>Property Use Tracking System</b>				
<b>Implementing Agency</b>	<b>Total Estimated Costs</b>	<b>Expenditures to Date</b>	<b>Start Date</b>	<b>Estimated Completion Date</b>
DGS	\$655,000	\$546,000	August 2014	June 2016

**Office of Finance and Treasury**

**FY 2015 Initiatives:**

<b>Description</b>	<b>Funding</b>	<b>Results</b>
Combine the administration of the 401(a) and 457(b) programs to enhance operations and lower expenses.	Used existing resources	Combining the administration of these programs lowered the expenses for participants. Also, the investment line-up was condensed, and a brokerage window option and a Roth IRA option were added to the plan. Finally, we added a new service location located at 77 K Street, N.E., where participants can have private conversations with administrator representatives about their retirement goals.
OFT instituted a program where OFT's Unclaimed Property Division executes, on a monthly basis, the sale of the paper assets received from holders that have met the legislative sale requirement date.	Used existing resources	This has provided on average \$300,000 a month in additional cash receipts that are used for government operations.
Reduce number of paper checks issued by converting to electronic payments, ACH or card.	Used existing resources	There were 297,800 checks issued in FY 2015. This was an 8% reduction over FY 2014.
Continue pre-paid card program implementation for Unemployment Compensation, tax refunds, UMC payroll, summer youth and caregivers.	Used existing resources	57,121 cards were issued with 282,414 payments loaded in FY 2015.
FY 2015 Debt Issuances <ul style="list-style-type: none"> <li>• \$379,355,000 GO Bonds, 2014C and \$136,190,000 GO Refunding Bonds, 2014D</li> <li>• \$400,000,000 FY 2015 TRAns</li> <li>• \$60,875,000 IT Secured Revenue Refunding Bonds, Adjusted Rate SIFMA</li> <li>• \$500,000,000 GO Bonds, 2015A and \$34,190,000 GO Refunding Bonds, 2015B</li> <li>• \$145,445,000 Southwest Waterfront Project Revenue Bonds Series 2015</li> </ul>	Used Existing Resources	The 34,190,000 GO Refunding Bonds, 2015B was the only refunding in FY 2015 that was carried out specifically to provide for savings. The transaction generated total net present value savings of \$7,586,431 which will be realized between 2016 and 2027.

**FY 2016 Initiatives:**

Description	Funding	Results
<p><b>FY 2016 Debt Issuances</b></p> <ul style="list-style-type: none"> <li>• \$250,000,000 FY 2016 TRANs (Completed)</li> <li>• \$95,575,000 IT Secured Revenue Refunding Bonds, 2014B – Adjusted Rate SIFMA (Completed)               <ul style="list-style-type: none"> <li>• \$512 M GO/IT bonds to fund the FY 2015 CIP (Summer)</li> <li>• \$300 – 500 M GO/IT Commercial Paper to offer short-term funding of CIP needs</li> <li>• Refund Ballpark Revenue Bonds, 2006B-1</li> <li>• Refund Washington Convention Center Authority Tax Revenue Bonds, 2007A</li> <li>• FY 2017 TRANs - Issue for cashflow needs if necessary</li> </ul> </li> </ul>	Existing Resources	
In FY 2016, obtain 100% PCI Compliance for District Web Sites that accept credit card payments for revenue collections.	PCI Consultant \$95,000 + \$85,000 for PCI Auditor	As of the end of FY 2015, the PCI committee reviewed 20 District web sites that accept credit card payments. We have achieved 65% overall compliance thus far.
Replace all standard credit card machines with pin and chip equipment to become EMV compliant and protect both consumers and the District.		EMV Equipment and Interface - \$120,000
CCU will implement collection initiatives, such as enforcement of the DMV Immobilization Act through a CCU presence at the Blue Plains Impoundment Lot, and through new revenue incentive programs to assist customers which should generate additional revenue.	Existing Resources	
Pilot use of Cash Kiosks at DMV. In an effort to improve efficiency and reduce costs in cash management, a machine will be installed at a DMV location to test customer acceptance.	Existing resources	

**Office of Management and Administration**

<b>Description</b>	<b>Funding</b>	<b>Results</b>
<p>In October 2015, OMA-Logistics installed an electronic visitor management system (Easy Lobby) to capture and store detailed information on all visitors to 1100 and 1101 4th Street. By replacing the former manual system, the OCFO now has immediate access to pertinent information about public traffic (such as the volume of visitors to each building), which offices are most frequently visited, etc. Information captured through the system is stored electronically and securely on the OCFO server infrastructure and can be queried by authorized personnel to run reports if required. This system significantly reduced the security risks inherent in the manual system, which was vulnerable to false identities and difficult to prevent unwanted entries.</p>	<p>\$75,000</p>	<p>We currently provide a more secure and efficient way for security officers to accurately identify individuals and to authorize visits. Easy Lobby facilitates faster processing times and provides heightened security. The new system improved our productivity and efficiency, and therefore enhanced our public image by enriching the public’s initial experience when visiting the OCFO. The system also reduces the person-hours formerly required to research and report on visitor records.</p>

19. Please provide a list of all studies, research papers, and analyses (“studies”) the agency requested, prepared, or contracted for during FY 2015. Please state the status and purpose of each study.

**RESPONSE**

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

**OCFO-Economic Development and Finance (EDF)**

Tax Abatement Financial Analyses – These were completed in fulfillment of the OCFO’s statutory duty to analyze certain tax exemptions and abatements that are proposed in legislation, prior to a hearing on the legislation. TAFAs completed in FY2015 included:

- New Bethany Baptist Church Real Property Tax Exemption Act of 2015
- Naval Lodge Building, Inc. Real Property Tax Exemption Act of 2015
- Save the Children Job Creation Tax Incentive Act of 2015
- The Park 7 at Minnesota-Benning Tax Abatement Act of 2015
- 4427 Hayes Street, NE Real Property Tax Abatement Amendment Act of 2015
- Florida Avenue Performing Arts Transfer Tax Relief Act of 2015

Unified Economic Development Report – These were completed in fulfillment of the OCFO’s statutory duty to report to Council District expenditures on economic development. Reports completed in FY 2015 included:

- The Unified Economic Development Report for the year end FY 2014
- The Unified Economic Development Report for the FY 2016 Mayor’s Budget Proposal

TIF Revenue Study for the Wharf – This independent contracted study estimated the TIF and PILOT revenues projected to be available to support the District’s TIF/PILOT bond issuance. The independent study was used to size the bonds, and the study results were included in the Offering Statement for the bonds which were sold in September 2015.

#### **OCFO-Office of Revenue Analysis (ORA)**

- *Tax Rates and Tax burdens in the District of Columbia: A Nationwide Comparison* (pursuant to Public Law 93-407) is an annual publication that provides a comparison of selected tax rates, as well as comparative measures of households tax burden in the District of Columbia with those in the 50 States.
- *Tax Rates and Tax Burdens: Washington Metropolitan Area* (pursuant to Public Law 93-407) is published annually and provides a comparison of selected tax rates, as well as comparative measures of households tax burden in the District of Columbia with those of five neighboring jurisdictions.
- *The Tax Expenditure report* (D.C. Law 13-161, the “Tax Expenditure Budget Review Act of 2000”) is a bi-annual report that provides estimates of revenue losses to the District resulting from both federal and local tax provisions that grant special relief designed to encourage certain taxpayers’ behavior or to aid taxpayers in special circumstances.
- *District of Columbia Housing Tax Expenditure Review* (2015) is published pursuant to Title VII, Subtitle N of the Fiscal Year 2015 Budget Support Act of 2014 and provides evaluations and performances of housing tax expenditure projects in the District of Columbia.
- *District of Columbia Special-Purpose Revenue Report* (2015) provides the uses and revenue sources for more than 170 special-purpose revenue sources, along with a four-year revenue history and other background information on each fund
- *The Economic Report of the District of Columbia (DC Data Book)* is an annual publication that provides information on key economic indicators and demographic

trends about the District of Columbia and is designed for use by citizens, policymakers, revenue practitioners, and researchers.

- *DC Economic Indicators* provides a monthly summary of all economic activities in the District of Columbia with the purpose of identifying underlying changes within those activities.
  - *Cash Collection Reports & Narrative* is published monthly and tracks cash collections, by source, in the District of Columbia. These reports are critical to monitoring the performance of the District's revenue collections relative to the revenue estimates.
  - *A Review of the District of Columbia Economic and Revenue Trends* is published monthly and provides detailed information of changes in the national and local economies, as well as necessary information regarding the underlying assumptions that are used in preparation of Quarterly Revenue Estimations.
  - *Quarterly Revenue Estimates* are mandated by the U.S. Congress and provides estimates that establish annual budgets of the District of Columbia.
  - *DC Tax Facts* is published annually and provides detailed data and information pertaining to the District's various tax structures, tax and non-tax rates, legal references and other comparative tax data for the purpose of educating and enhancing citizens' awareness of their tax responsibilities.
  - *Revenue Chapter of the D.C. Budget Book* is published annually and provides underlying assumptions pertained to the preparation of the final revenue forecast for the District of Columbia during every fiscal year.
  - *Fiscal Impact Studies* provide analyses of fiscal impacts of proposed legislations to ensure the integrity of the District's annual budget.
20. Please explain the impact on your agency of any legislation passed at the federal level during the past year, to date that significantly affect agency operations. If regulations are the shared responsibility of multiple agencies, please note.

**RESPONSE**

There was no new federal legislation that significantly affected the OCFO's operations in FY 2015.

21. Please provide a list of all MOUs in place during FY 2015.

**RESPONSE**

See **Attachment 21**.

22. Please list and describe any ongoing investigations, audits, or reports on your agency or any employee of your agency; or any investigations, studies, audits, or reports on your agency or any employee of your agency that were completed during FY 2015 or FY 2016, to date. Please reference where any audits or reports are located on the OCFO website, where applicable.

**RESPONSE**

See **Attachment 22**.

23. Please comment on recommendations from IG Report OIG No. 13-2-01AT that were reported as “In Progress” as a part of your performance oversight responses from last year.

**RESPONSE**

See **Attachment 23**.

24. As part of last year’s performance oversight process, your office mentioned a meeting that took place on February 12, 2015 between the Office of Real Property Tax Administration and the business community to “discuss the commercial tax assessment process, including: (1) electronic income and expense filing; (2) market driven mass appraisal valuations, and (3) changes to the apartment model to better reflect the impact of subsidized and rent controlled apartments.” Please comment on the nature and status of any changes implemented to commercial real property assessments in light of the review of the process. Please also provide any feedback received by RPTA concerning the proposed changes. Additionally, please explain all actions taken with respect to “changes to the apartment model to better reflect the impact of subsidized and rent controlled apartments.”

**RESPONSE**

1. The electronic (online) Income & Expense (I&E) Report system developed by the OCFO Office of the Chief Information Officer (OCIO) Tax Service Group (TSG) was deployed into production on March 1, 2015 for TY 2016 I&E filing. TSG and RPTA have concluded user acceptance testing on modifications and improvements to the system for TY 2017 I&E filing. A number of property owners and representatives were involved in the initial testing of the electronic I&E forms. However, out of roughly 8,000 mandatory filers, only approximately 1,500 filers have utilized the online filing.

A proposed bill, the “Major Property Assessment and Appeals Schedule Revision Act of 2013,” which would advance the date by which I&E’s are required to be submitted to OTR, is still pending final action by the Council. Currently, the District’s annual

real property assessment valuation date is January 1, while most recent I&E's are not submitted until April 15. Having timely I&E information and adequate time for analysis of the same will result in more accurate, fair and equitable valuations of commercial properties.

2. In order to have a robust analytics for commercial properties mass appraisal modeling, a senior appraiser (market analyst – DS13) position was created. This position has since been filled with an analyst who is now the primary source of research data. However, the function of data collection will remain with individual appraisers and appraiser technicians. The market analyst is now primarily responsible for in-house studies of pertinent market data for calibration of appraisal models. We continue to strive for qualitative and reliable inferences from these studies. We anticipate improvements in the quality of these studies to improve over time due to the addition of the market analyst, assuming the level of sales remains constant or increases.
3. The apartment income approach model was modified for the TY 2016 assessment to reflect any existing government subsidized housing programs that impact the market value of these properties. Likewise, the I&E was modified to specifically identify apartment properties that are subject to government restrictions.

Prior to modification of the apartment model, RPTA conducted an in-house study (in consultation with other District agencies), which identifies various existing government programs that place restrictions on apartment properties. A training session for appraisers on Affordable Housing & Valuation was conducted in the spring of 2015 at the invitation of RPTA, by Mr. Stephen L. Rudow, MAI, Senior Vice President at AGM Financial Services. Mr. Rudow is a recognized industry expert on valuation and financing of affordable housing. Subsequently the Appraiser's Reference Materials publication has been updated with the description of the apartment valuation model modifications that recognize "non-market" apartments.

25. On January 12, 2015, you provided a letter to the Committee concerning commercial property tax appraisal review and improvements. In this letter, you identified changes for the upcoming tax year and additional future changes, provided below for your reference. Please comment on the status of these changes, including any relevant updates, further adjustments, and successes of implementation.
  - Changes for the Upcoming Tax Year:
    - Modification of our apartment mass appraisal model to better reflect the impact of subsidized and rent controlled apartments on properties' market values.
    - Electronic on-line filing of income and expense statements.
  - Additional Future Changes:

- On-line Appeals System.
- Hire an in-house statistician to develop and calculate market rates.
- Conduct a seminar in February to educate and update the commercial and apartment owner/representatives on the assessment process.
- Consider legislation to require taxpayers to file I&E forms prior to issuing initial assessments to improve their accuracy, and reduce appeal levels.
- Consider alternatives to reduce the backlog of cases in Superior Court.
- Conduct a national “best practices” study, in conjunction with the business community, to identify other changes to improve the process.

**RESPONSE**

<b>Upcoming Tax Year Changes</b>	
Modification of our apartment mass appraisal model to better reflect the impact of subsidized and rent controlled apartments on properties’ market values	Apartment income approach model was modified for TY 2016 assessment to reflect any existing government-subsidized housing programs that impact market value of these properties. Likewise the I&E form was modified to specifically identify apartment properties that are subject to government restrictions.
Electronic on-line filing of income and expense statements	Electronic (online) Income & Expense Report system developed by OCIO Tax Systems Group was deployed into production on March 1, 2015 for the TY 2016 I&E filing. TSG and RPTA have concluded user acceptance testing on modifications and improvements to the system for TY 2017 I&E filling.
<b>Future Changes</b>	
Online Appeals System	An online appeal (in-take) form was implemented for TY 2016 appeals. The system is being upgraded and tested for TY 2017 appeals.
Hire an in-house statistician to develop and calculate market rates	OTR now has a full-time employee in this capacity who was instrumental in the analysis of market and income and expense data used in the calculation of expense ratios, vacancy rates, and capitalization rates for the various income models used to value commercial properties.
Conduct a seminar in February to educate and update the commercial and apartment owner/representatives on the assessment process	This was accomplished at the annual AOBA in the spring of 2015.
Consider legislation to require taxpayers to file I&E forms prior to	The proposed bill, the “Major Property Assessment and Appeals Schedule Revision Act of 2013,” is still

issuing initial assessments to improve their accuracy, and reduce appeal levels	pending final action by the Council. Currently, the assessment valuation date is January 1, while most recent I&E's are not submitted until April 15. Having timely I&E information and adequate time for analysis of the same, will result in more accurate, fair and equitable valuations of commercial properties.
Consider alternatives to reduce the backlog of cases in Superior Court	There is an agreement in principle to have OTR and Petitioners accept or reject, within 14 days, settlement offers proposed during mediation sessions.
Conduct a national "best practices" study, in conjunction with the business community, to identify other changes to improve the process	<p>The OCFO, under the direct supervision of the CFO, has conducted a thorough review of operations in the Assessment Division, and has identified several initiatives to improve business processes, including:</p> <ul style="list-style-type: none"> <li>• Expansion of Appraiser Workspace</li> <li>• Education and Certification Program for Appraisers</li> <li>• Revised Income Property Assessment Calendar</li> <li>• Additional Staffing</li> <li>• More Access to Vehicles for field inspections</li> <li>• Implementation of an Employee-led CAMA Improvement Team</li> <li>• New Technology for Field Work and RPTAC Hearings</li> <li>• Appeals Tracking System and Electronic Records Retention</li> <li>• Updates to Oblique Aerial Photography</li> <li>• Replacement of the Real Property Billing System</li> </ul>

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

**RESPONSE**

Please see **Attachment 26**.

27. What amount was collected for Combined Reporting FY 2015 (TY 2014) returns, and how does it compare to the FY 2014 (TY 2013) returns?

**RESPONSE**

The amount collected for TY 2014 returns (primarily received in FY 2015) was \$150.7 million, compared to \$81.9 million for TY 2013 (primarily received in FY 2014). The TY 2013 number reported above is significantly higher than reported at the last oversight hearing (\$30 million) due to additional/late filings received for this period after March 2015 and adjustments made to earlier filings.

OTR does not know how much would have been collected had Combined Reporting not been enacted.

28. Please detail what participation, if any, your office had in the creation of the so-called “Tax Haven” list contained in Section 7182 of the Fiscal Year 2016 Budget Support Act of 2015, including an explanation of the creation of the list of jurisdictions and the need for such a list. Please also discuss how such tax havens are currently determined.

**RESPONSE**

The OCFO had no role in the creation of the tax haven list. The proposed legislation was drafted by Council staff on the basis of similar legislation enacted by the State of Oregon. The CFO’s office did review and make technical correction recommendations regarding the District legislation.

The District of Columbia tax haven legislation simply replicated the list of tax haven countries which were set forth in the Oregon legislation as originally enacted. The criteria which would have been used to make recommendations to Council as to whether jurisdictions should be added to, or removed from, the tax haven list have been in the District tax code since 2011. These criteria follow the Multistate Tax Commission uniform model legislation on tax havens.

The OCFO has taken no position on the need for the creation of a tax haven list by legislation.

29. Please provide the status of any and all contracts related to the Central Collections Unit, including contracts issued, pending, or awaiting approval. Additionally, please include the status of the contract extension with Industrial Bank (which was approved by the Council on December 1, 2015), and whether the timeline for a new contract is on schedule.

## RESPONSE

The Central Collections Unit (CCU) has active contracts through September 2016 for the following:

- UMC collections services with Nationwide Recovery Services
- UDC collections services with Conserve and Williams and Fudge
- DMV collections services with Industrial Bank

The new procurement for CCU collections is on schedule with an anticipated award by September 2016.

30. Please provide a copy of the Exempt Property Use Report (FP-161). For the April 1, 2014 deadline, how many properties were required to file under D.C. Official Code § 47-4702? How many were required to file under D.C. Official Code § 47-1007? How many properties eligible for an exemption did not file by the deadline? How many properties requested an extension? Are there any properties still outstanding (i.e. that did not file by the deadline or request an exemption)? How many properties had their status revoked? Are properties able to complete this form and file electronically?

## RESPONSE

Please provide a copy of the Exempt Property Use Report (FP-161).

A copy of the Form FP-161 currently on the OTR website is attached (see **Attachment 30**).

For the April 1, 2014 deadline, how many properties were required to file under D.C. Official Code § 47-4702? How many were required to file under D.C. Official Code § 47-1007?

We estimate that for 2014 and 2015, there were approximately 180 properties required to file the Exempt Property Use Report under section 47-4702. Additionally, there were approximately 2,620 properties required to file this report under section 47-1007 for 2014 and approximately 2,560 properties for 2015.

How many properties eligible for an exemption did not file by the deadline?

For 2014, there were approximately 230 properties that did not file by the deadline. For 2015, there were approximately 270 properties.

How many properties requested an extension?

Our records reflect that, for 2014, five properties requested an extension, and, for 2015, there were two requests for extension. Although the Exempt Property Use Report cannot

currently be completed and filed electronically, OTR is planning to implement an electronic filing capability for the report due in 2017.

Are there any properties still outstanding (i.e. that did not file by the deadline or request an exemption)?

Although the great majority of properties that did not file by the deadline eventually did file, a small number of properties did not file at all.

How many properties had their status revoked?

For 2014, three properties had their exemptions revoked because of failure to file the report. For 2015, eleven properties had their exemptions revoked for failure to file.

Are properties able to complete this form and file electronically?

Although the Exempt Property Use Report cannot currently be completed and filed electronically, OTR is planning to implement an electronic filing capability for the report due in 2017.

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

**RESPONSE**

The total debt outstanding as of January 1, 2016 was \$10.274 billion. The detailed Debt Statement Chart is attached (see **Attachment 31**).

32. Please provide a breakdown of sales tax collections by type for FY 2015 or TY 2015 where applicable (and indicate which) with a comparison of collections for FY or TY 2014.

**RESPONSE**

See **Attachment 32**.

33. I want to ask now about FY 2017 real property tax assessment. Please provide a neighborhood assessment breakdown for all four property classes. Which classes saw a decline, and what is the comparison to assessments from last year for each class?

**RESPONSE**

Please see the attached Base Change Reports (**Attachment 33**). The overall increase from last year for residential properties (including apartments) was 6.60 percent, and for commercial properties the increase was 5.11 percent.

OTR is only able to report on Class 1 and Class 2 properties. Classes 3 and 4 are under the jurisdiction of DCRA, and it is not possible to know in advance for TY 2017 what properties may be included in Classes 3 and 4.

34. For income tax returns, your office provided a District resident with the ability to receive a refund via debit card, in addition to the traditional options of direct deposit or check. What changes have been or are being contemplated for the debit card program for the 2015 income tax filing season? Has any thought been given to making the default option a paper check as opposed to a debit card? In previous performance oversight responses, your office has mentioned that additional changes will be implemented (e.g. bearing a DC Government return address). What is the status of the return address endeavor? What additional changes do you anticipate being implemented in the next two years? Additionally, you mentioned efforts for an RFP for long-term contract for services regarding debit cards. What is the status of the RFP (including posting date, closing date, anticipated award, etc.)?

### **RESPONSE**

For TY 2015, the default option is a paper check. The upper limit for refunds to be issued via prepaid cards is \$4,000 for this filing season, compared to \$3,500 last year. No other changes are currently being contemplated.

The envelope has been changed for this filing season to clearly identify the mail as coming from the District of Columbia Office of Tax and Revenue, although the return address is for the Citi processing center, which is required under VISA/MC network rules.

An RFP for Prepaid Debit Card Services was issued as CFOPD-16-R-003 on February 2, 2016. The current closing date is April 1, 2016. The anticipated award is June 2016.

35. Please provide a list of our Financial Advisors as of February of 2016.

### **RESPONSE**

The following is a list of the Financial Advisors (in alphabetical order).

- Acacia Financial Group, Inc.
- CSG Advisors, Inc.
- Estrada Hinojosa and Company, Inc.
- First Southwest Company
- Public Financial Management, Inc. (PFM)
- Public Resource Advisory Group, Inc. (PRAG)

36. What is the status of the online payment portal for DC Business Improvement Districts? Are all BIDs using this function? If not, please explain why.

**RESPONSE**

The online payment portal with Wells Fargo has been operational since February, 2015, and is actively used by BID taxpayers in all Business Improvement Districts.

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

**RESPONSE**

- Events DC (formerly the Convention Center and Sports Authority) —Jeff DeWitt and John Ross
- Destination DC—John Ross
- D.C. Retirement Board—Jeffrey Barnette
- Not For Profit Hospital Board—Stephen B. Lyons
- Board of Review of Anti-Deficiency Violations—Angell Jacobs (Chair) and Timothy Barry
- Emergency Preparedness Council—Brenda Proctor, Timothy Barry, and James Glymph
- Single Audit Oversight Committee —Timothy Barry (Chair)
- District of Columbia Financial Literacy Council—Clarice Wood
- Open Government Task Force —David Tseng

38. How much revenue has been collected from the new tobacco tax structure (as established in Title VII, Subtitle B of the Fiscal Year 2015 Budget Support Act of 2014)? Please provide a summary by quarter of what was collected in FY 2015, along with a breakdown of collections by specific product type.

**RESPONSE**

<b>Other Tobacco Products</b>	<i>FY 2015 1st Qtr.</i>	<i>FY 2015 2nd Qtr.</i>	<i>FY 2015 3rd Qtr.</i>	<i>FY 2015 4th Qtr.</i>
<b>Little Cigars</b>	93,923.00	90,240.00	95,216.30	111,920.60
<b>RYO</b>	12,230.00	10,461.00	10,858.33	10,348.77
<b>All Other tobacco Products</b>	946,464.96	874,896.27	822,617.78	739,464.04
<b>TOTAL TAX Collected</b>	<b>1,052,617.96</b>	<b>975,597.27</b>	<b>928,692.41</b>	<b>861,733.41</b>

39. In October 2015, the Office of Revenue Analysis issued the *District of Columbia Housing Tax Expenditure Review* (published pursuant to Title VII, Subtitle N of the Fiscal Year 2015 Budget Support Act of 2014). The report included five recommendations. What actions may be taken by your office in accordance with these recommendations? What steps do you believe may be taken by the Council or the Mayor to implement these recommendations? Please also explain recommendation #4 and how this is different, or not accomplished by the annual filing requirement via the FP-161.

## **RESPONSE**

What actions may be taken by your office in accordance with these recommendations?

OTR could take action in response to Recommendation #5, which is to “use more granular or specific codes for data on tax expenditure recipients in OTR’s ITS system.”

This recommendation refers to the amount and type of information about tax expenditure recipients that is currently tracked in the OTR data systems. For example, under the current tracking process, an organization that receives a property tax exemption due to its status as a nonprofit would be assigned a tax code based on that status. However, if this nonprofit provides housing, there is not a code assigned for that type of use, making it very difficult to identify in the database all exempt organizations that provide housing.

Previously, we have not had the need for this type of code assignment by policy area. The new requirement to review tax preferences by policy area has helped identify specific steps that could be taken to refine to our coding system and data entry processes.

Recommendation #5 also notes that a data field describing the authorizing DC Code should be supplied in the database for each abatement recipient. This would allow analysts to more easily track the estimated revenue loss pertaining to each tax expenditure.

What steps do you believe may be taken by the Council or the Mayor to implement these recommendations?

There are a variety of steps that could be taken to implement these recommendations and there is no single best path of action. Any steps taken should be with the goal of increasing accountability for the District’s tax preferences.

Both the Mayor and the Council could respond to recommendation #1, (regarding the standardization of affordability requirements), by considering the standardization of housing affordability requirements in all future related legislation. District policymakers should consider whether having a wide range of affordability standards is necessary to maintain flexibility for housing and economic development needs. As this report found, having more standards is a complicating factor from a monitoring perspective.

A further step that could be taken to implement these recommendations includes writing a “claw-back” measure into all future legislation providing tax preferences. This would mean that if an entity receives a tax preference in order to provide affordable housing in the District, there would be a provision in the legislation stating that the tax preference would not be granted if the entity fails to provide the affordable housing. Such a provision would also require monitoring of tax preferences in order to assess compliance to the terms of the tax preference.

Another step the Mayor or the Council could take would be to assign a third party to oversee the monitoring of District tax incentives (e.g. following up to ensure that entities receiving a preference to provide affordable housing are, in fact, providing affordable housing).

Monitoring is important first of all because it provides accountability for the District’s funds; in this case, we are choosing not to collect taxes from a particular entity so that they will in turn provide a benefit to the city, and we need to be sure we are getting that benefit, otherwise those tax dollars are not accountable.

Monitoring these tax preferences for accountability is a good practice. However, when it comes to tax preferences given for an specific policy purpose, such as housing or economic development, monitoring data will be an important input for ORA staff to have when it is time to review those tax preferences for their overall impact, which we are required to do under Title VII, Subtitle N of the FY 2015 Budget Support Act of 2014.

As an example of the need for further monitoring, during the research for this Housing Tax Expenditure Review, ORA found that a 2009 Mayor’s Order delegates to the Department of Housing and Community Development (DHCD) the authority to monitor and enforce affordable dwelling unit requirements, which covers some of the housing-related tax preferences we were reviewing. However, it was unclear that DHCD officials were aware of this Order and did not provide us with any monitoring data to show they are complying with this Order. This is only one example, but it points to a potential need for third-party monitoring, rather than internal monitoring within an agency. However, any third party would need to be given resources and clear authority to carry out its duties.

Please also explain recommendation #4 and how this is different, or not accomplished by the annual filing requirement via the FP-161.

Recommendation #4 would expand the reach of FP-161 to cover all entities receiving any tax preference (which could be a partial abatement, or short-term abatement, for the property tax) and not just those receiving a property tax exemption. It is our understanding that the universe of entities receiving property tax preferences is larger than the universe subject to the FP-161 requirement. FP-161 is a great tool for self-monitoring with one major weakness that must be addressed. Most organizations filling out the forms provide little to no information needed to determine whether or not they are

in compliance with the tax preference. This makes it very difficult to review the tax preference in other to determine the usefulness of the provision.

40. What is the status of the Evaluation of the Commercial Real Property Assessment Process, as being conducted by the Office of the Inspector General, pursuant to D.C. Official Code § 47-821(e)?

**RESPONSE**

Please refer to Question 23 for the status of implementation of recommendations resulting from the OIG report. No additional evaluation activity has occurred since the initial report from Almy Gloudemans.

41. How has the transition to the new 457/401(a) plan administrator gone? What is new? What could we be doing better, or changing? How can we increase employee participation?

**RESPONSE**

How has the transition to the new 457/401(a) plan administrator gone?

The transition went very well. The transition was completed on September 18, 2015. This combines the administration of the 401(a) and 457(b) programs lowering overall expenses paid by participants.

What is new?

We have enhanced operations of the programs by providing one expanded investment line-up for both plans, and added a brokerage window option and a Roth option in the 457(b) plan. We also added a new service center located at 77 K Street, NE, where participants can have private conversations with administrator representatives about their retirement goals.

What could we be doing better, or changing?

We are steadily developing new approaches to encourage employees to participate in their retirement planning. We are currently conducting focus group research to determine what information is most beneficial for employees.

How can we increase employee participation in the 457 Plan?

The best way to increase participation could be for the District to introduce automatic enrollment for all new employees, with an “opt-out” feature, and to introduce a dollar match from the District government for those who participate in the 457 plan.

42. It has come to the attention of the Committee that the federal government will change the due date of the federal corporate income tax return. What effect, fiscal or otherwise, may this have on the District? Please discuss any and all effects for FY 2016 and FY 2017, how such a change relates to the income tax year, and provide language for any and all legislative fixes that may be necessary.

### **RESPONSE**

New Federal Due Dates (applies to the 2017 filing season (2016 tax returns))

The new federal law shortens the due date for U.S. federal partnership income tax returns to March 15 from April 15 of each year for calendar year partnerships, and to the 15th day of the third month, from the 15th day of the fourth month, following the close of the taxable year for non-calendar (fiscal) year partnerships. The same rules apply for S-corporations. These changes are effective for tax returns for taxable years beginning after December 31, 2015.

The law also extends the due date for U.S. federal C-corporation income tax returns to the 15th day of the fourth month following the end of the taxable year, from the 15th day of the third month following the end of the taxable year.

Additionally, the law extends the maximum extension for filing U.S. federal partnership income tax returns to the six-month period ending on September 15 for calendar year taxpayers. C-corporations will be allowed an automatic six-month extension to file U.S. federal income tax returns, instead of a three-month extension, except that calendar year C-corporations will be permitted a five-month extension until 2026, and C-corporations with a June 30 taxable year-end will be permitted a seven-month extension until 2026. These changes apply to tax returns for taxable years beginning after December 31, 2015.

### **Proposed New District Due Dates**

Many states are likely to follow the federal changes and may need to enact legislation to change their due dates to conform to the new federal dates. The new federal law, which makes the Form 1065, U.S. Return of Partnership Income, the first tax return due, is both logical and helpful for many types of entities. That is because all other entities and individuals can be partners in a partnership and may need information from Schedules K-1's (reporting distributive share to partners) in order to timely and accurately complete their tax returns.

The District's current due date for partnership filers (D-65), including unincorporated business franchise tax (UB) filers (D-30), is April 15. No change is necessary to this due date as taxpayers will have received their K-1s from having filed their federal partnership return on March 15 in advance of the District due date. This will facilitate timely and accurate information needed from flow-through entities' Schedules K-1 for taxpayers and practitioners. To conform to the federal changes for corporate filers, the District should similarly extend the due date for C-corporation income tax returns (D-20) to the 15th day

of the fourth month following the end of the taxable year, from the 15th day of the third month following the end of the taxable year because the federal corporate return is required in order to prepare the District return.

As a result of these changes, taxpayers, practitioners and the Office of Tax and Revenue will deal with fewer estimates, extensions and amended returns, and tax returns will be more accurate and complete when filed. In addition, all District returns and estimated tax payments will be due at the same time thus creating consistency, reducing administrative costs, and simplifying the processing of returns.

The District is unaffected by the federal due date extension changes and, therefore, no changes are necessary. The District already permits a six-month extension for partnerships (D-65) including UBs (D-30) and for stand-alone corporate filers (D-20). Combined reporting filers receive a seven-month extension making returns due on October 15. Once the due date for corporate filers is changed, combined returns would be due with extension on November 15 instead of October 15. Some combined returns were already due on November 15 if the reporting entity (designated agent) was a UB because UB returns were always due on April 15, making their returns with extension due on November 15.

The fiscal impact of this change on the District is expected to be minimal.

43. Residents routinely contact the Council requesting assistance after third-party collection agencies contact them stating that they were noncompliant in payment of District taxes. In each of these cases, the resident was able to reach out to OTR and show proof of payment, and was then informed to “ignore the letters.” Despite being told such by OTR, the residents are again contacted by the collection agencies about continued noncompliance. Why is this a recurring issue with OTR and tax payers? With what third-party collection agency does OTR work? How does OTR communicate with this vendor about these issues? What is being done by OTR to ensure this does not occur in the future?

### **RESPONSE**

The OTR legacy system (ITS) did not allow electronic transmission of taxpayer correspondence or immediate updates to accounts. However, with the implementation of the Modernized Integrated Tax System (MITS) for Individual Income tax, this issue should be greatly reduced. Business taxes will be converted to MITS in October 2016, providing similar relief for Incorporated and Unincorporated business.

OTR has contracted with two collection agencies, MuniServices and RSI Enterprises. Data files are transmitted to these vendors electronically on a weekly basis with new, closed and/or revised balances. There are occasions when the collection agencies and/or taxpayers contact the OTR Collection Division for updated status, disputes, or to provide additional documentation to support an adjustment to the account balance.

OTR anticipates that the MITS implementation will accelerate the resolution of taxpayer disputes, which will then result in more timely updates to the outside vendors regarding balances due. The Collections Division is also reviewing internal processes with each rollout phase of MITS to ensure continuous improvement.

44. Last year (calendar year 2015), numerous residents reported severely delayed tax refund payments. In many cases, residents filed their paperwork well in advance of April 15, but did not receive refunds until the end of the summer. What is the typical timeframe for receipt of a refund? What information, if any, is tracked by OTR about the timing of issuing refunds?

### **RESPONSE**

The typical timeframe for the issuance of a refund ranged from 6.27 days in March 2015 to 11.95 days in August, following the annual peak. This represents an average of all refunds from all sources, electronic and paper. This average will include some refunds that may have taken much longer than the average, but those would most likely be those that were flagged for additional review, required supplemental information from the taxpayer, or required more difficult corrections and/or adjustments.

Returns are tracked from the in-date (Post Mark date) to the date of issuance, and is documented in the Refund Cycle Report. The postmark date is either handwritten or date stamped on each return when it is received. The date of issuance is also tracked within our processing system, and reflects the date the check was printed and/or the ACH file was transmitted.

45. What effect, if any, has the elimination of certain tax expenditures—such as the Long-term care insurance deduction and the district and federal government pension exclusions—had on District taxpayers in each of the tax brackets? Have residents who previously qualified for these targeted credits seen an increase in District taxes owed until all of the tax reform package is implemented? How many residents, and by how much? And, how much would they stand to receive in the form of a tax refund when the entire tax reform package is implemented?

### **RESPONSE**

The OCFO will not be able to determine the full effect of the elimination of tax credits until the 2015 filing tax season is over. The deadline for filing taxes this year is April 18<sup>th</sup>. We projected that the elimination of these credits would increase revenues (resulting in a cost to taxpayers) by \$3.7 million. Against this increase, when fully implemented, the TRC tax cuts (lowering middle class tax rates, the expansion of the EITC, increasing standard deductions) would reduce taxes (resulting in increased refunds

to taxpayers) by almost \$166 million. Already more than \$75 million of these cuts to individual income taxes have been enacted.

46. Regarding the District of Columbia Status Report on Replacement Schedule for Capital Assets, what is the current status and plan, and who are the stakeholders participating in the annual report? Which agency is the lead on this?

### **RESPONSE**

The OCFO, pursuant to a legislative requirement in the FY 2015 Budget Support Act, submitted a status report to the Council on the development of a Replacement Schedule for Capital Assets in October 2015. As was stated in the status report, a Proof of Concept was completed last summer to test the viability of a software solution to help inventory and evaluate all District-owned assets. Three key agencies participated in the Proof of Concept and provided the required data confirmation for the successful completion of the Proof of Concept – OSSE (school buses), DDOT (street segments), and DCPS/DGS (schools facilities). These agencies and asset types were chosen to simulate the bulk of District-owned assets, representing fleet, horizontal infrastructure (roads, sidewalks, alleys, etc.) and buildings.

In the next phase in the development of the Replacement Schedule for Capital Assets, the OCFO, the City Administrator’s Office, OCTO and our software vendor, Riva Modeling, are all involved in developing a system to model all current capital projects (about 550 projects), which was completed in late February. This model will be used to help formulate the Mayor’s proposed FY 2017-FY 2022 CIP plan, as well as helping the OCFO in the development of a long-range capital financial plan. In its final phases, the project will expand to all agency assets, not just those with current capital projects.

We are now beginning the process of building the model based on data around individual agency assets. Those agencies which will be participating in this next phase are: DDOT, DGS, DPR, OSSE, FEMS, and DPW. The project is led by a small steering committee with representatives from the OCFO, the City Administrator’s Office, and OCTO.

47. With respect to Schedule H, how many standalone Schedule H returns were submitted in TY 2014? How many Schedule H returns were denied in TY 2014? Please provide the number of returns with a Schedule H, and amount claimed in TY 2014, District-wide, for filers claiming the property tax credit for renting and owning property.

**RESPONSE**

For Tax Year 2014, 269 standalone Schedule H returns were received, out of which 21 were denied. For 2014, credits claimed on standalone Schedule H for rentals was \$192,471, and \$18,936 was claimed on property that was owned by the taxpayer. For all Schedule H credits claimed, the total for Tax Year 2014 was \$14.4 million.

48. Please provide the number of returns with a Schedule H in TY 2013 and TY 2014, by zip code and the AGI brackets provided below. Please show the filing status, AGI, tax, amount of property tax credit, and refund or amount due.
- \$10,000 and lower;
  - \$10,001 -- \$20,000;
  - \$20,001 -- \$50,000;
  - \$50,001 -- \$75,000;
  - \$75,001 -- \$100,00; and
  - \$100,000 and higher

**RESPONSE**

See **Attachments 48-1A and 48-1B.**

Additionally, please provide the number of returns with a Schedule H, and amount claimed, in TY 2013 and TY 2014, District-wide, by the following age-breakdowns:

- 21 and younger;
- 22-39;
- 40-49;
- 50-69; and
- 70 and older.

**RESPONSE**

See **Attachments 48-2A and 48-2B.**