

## **Office of the Chief Financial Officer -- FY 2013/2014 Oversight Questions**

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

### **RESPONSE**

See Attachment 1A – Schedule A and Attachment 1B – OCFO Org Chart. The “Agency Financial Operations” components on the right side of the org chart indicate CFO staff functioning in the various District agencies. They are CFO employees but are not included in the OCFO agency budget.

2. What is the status of hiring for the following positions: Chief Appraiser, Real Property Tax Administration; Senior Financial Policy Advisor; Director of OIO; Deputy Chief Financial Officer, Office of Financial Operations and Systems; all Central Collections Unit Staff; Litigation Support Unit (particularly the two additional employees in the FY2013 Budget). Please indicate if any of these positions were filled by an interim appointment (and the status of that appointment). Please indicate which positions, if any, used an outside search firm to assist in candidate/hiring selection? Please provide an explanation of why for any positions that are unfilled. Please provide start date for positions that have been filled, and the name of each employee. Please provide your response in chart format.

### **RESPONSE**

The OCFO has filled the position of Deputy Chief Financial Officer, Office of Financial Operations and Systems, Chief Appraiser, Real Property Tax Administration, the two vacancies within the Litigation Support Unit and all positions within the Central Collections unit. We made an interim appointment for the Director of OIO and those duties are being fully covered at this time. We are currently recruiting for the Senior Financial Policy Advisor position. It has not been necessary to engage the services of an Executive Search Firm for either of the aforementioned positions.

3. Please provide a complete, up-to-date organizational chart for each division within the agency including and, either attached or separately, an explanation of the roles and responsibilities for each division and subdivision.
  - Please include a list of the employees (name and title) for each subdivision and the number of vacant positions.
  - Please provide a narrative explanation of any organizational changes made during the previous year.
  - Please provide a complete, up-to-date position listing for your agency, which includes the following information:
    - Title of position

- Name of employee or statement that the position is vacant, unfunded, or proposed
- Date employee began in position
- Salary and fringe benefits, including the specific grade, series, and step of position
- Job status (continuing/term/temporary/contract)

*Please list this information by program and activity*

**RESPONSE**

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

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

**RESPONSE**

**See Attachment 4A.**

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

**RESPONSE**

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

- c. A list of employee bonuses or special award pay granted in FY13 and FY14, to date;

**RESPONSE**

The OCFO did not grant or award any bonuses or special award pay to OCFO employees in FY 2013 or FY 2014 to date.

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

**RESPONSE**

The four attachments for travel (**See Attachments 4D-1, 4D-2, and 4D-3**) 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 2013 and FY 2014 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 13 and FY14, to date.

**RESPONSE**

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

5. Does the agency conduct annual performance evaluations of all its employees? Who conducts such evaluations? What steps are taken to ensure that all agency employees are meeting individual job requirements?

**RESPONSE**

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

6. How many employees were placed on Administrative leave for or during FY2013? For FY2014 to date? Please indicate the purpose/reason for Administrative leave.

**RESPONSE**

The OCFO placed three employees on Administrative leave in FY 2013. The employees were placed on Administrative leave pending an investigation. To date in FY 2014, the OCFO has not placed any employee on Administrative leave.

7. 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 currently no employees on detail to or from the Office of the Chief Financial Officer at this time.

8. Please provide a narrative description of the status of implementation of all your IT systems, including SOAR and ITS. Please provide a status of the SOAR upgrades in light of the stop work order and subsequent cure notice issued to the vendor. Please explain why funding for the ITS upgrade has been budgeted but not obligated – this appears to be multiple years behind schedule.

## **RESPONSE**

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

The MITS project will replace and modernize the District's Business and Personal Tax systems. Most of the project cost is for the contract to design, develop, and implement the integrated system for the processing and billing of the various income and other tax types managed by the Office of Tax and Revenue (OTR). Due to the cost and the critical nature of the MITS implementation, the OCFO thoroughly evaluated all vendor responses to ensure a vendor was selected that had a proven track record in other jurisdictions and would provide the highest likelihood of a successful implementation.

We anticipate a contract award during the second quarter of FY 2014. With the phased implementation of the project plan, we will yield a total of \$42.5 million by FY 2019, with continuing added revenue in the years that follow.

- **CFO\$olve**

CFO\$olve implemented an array of financial reporting tools for both financial and non-financial users. As part of the agency out-reach program, CFO\$olve applications, reports, and dashboards have been developed and delivered to a number of different agencies including the University of the District of Columbia (UDC), Office of Revenue Analysis (ORA), Office of Finance and Resource Management (OFRM), and the Department of General Services (DGS). The Budget Formulation Application is also being enhanced for the Council budget review process, DCPS budget development and changes to DCPS Enrollment and Expenditures tables. CFO\$olve initiatives in the pipe line for the current fiscal year and next include: mobile access for CFO\$olve reporting tools, economic trends dashboard for ORA and financial reporting for the United Medical Center (UMC), in addition to further enhancements to the Agency Operational Dashboard and the public-facing CFOInfo sites.

- **SOAR Replacement Project (DCSRP) - SOAR and Budget Modernization**  
The DCSRП will replace the District’s current financial system and budget formulation system. The project is currently involved in go-forward and readiness planning activities. A District-wide requirement gathering and validation effort led by OFOS and the Office of Budget and Planning (OBP) on the functional side and the Office of the Chief Information Officer (OCIO) on the technical/non-functional side was completed in early December. In January 2014, the Quality Assurance Independent Verification and Validation contractor conducted an independent review of the complete requirement set along with the project plan timetables. As requirements are the foundation of any system implementation, the District aims to present potential integrators with a set that is complete, clear and concise, verifiable, viable, traceable, and utilizes consistent language/terms. We are also reviewing our plans for project support to ensure that sufficient subject matter expert resources are devoted to the project while maintaining ongoing operations.

The CFO is conducting comprehensive reviews of all IT implementations to ensure readiness and appropriate timing. This includes current funding and staffing levels, licensing, change management and other necessary elements for a successful implementation.

While the replacement effort proceeds, steps have also been taken to ensure necessary upgrades to the existing SOAR (System of Accounting and Reporting) and Budget Formulation Application systems are made. The District has enhanced the FY 2015 BFA, SPIN, and CSPIN applications and completed an update to CFO\$olve that will streamline the publication of the Budget Book.

- **Recorder of Deeds (ROD) Upgrade**  
The ROD System Upgrade will provide citizens better ability to interact with ROD through self-service. The upgrade is critically needed as the current system will no longer be supported in the near future. The vendor is on site and the project is on track for 2nd quarter FY 2014 implementation.
- **Computer Assisted Mass Appraisal (CAMA) Upgrade**  
The CAMA system upgrade addresses a number of security and audit concerns. The vendor is currently working on the upgrade and the implementation is planned for May as detailed below. We are expecting three additional software builds to complete the remaining outstanding items from the vendor. OTR continues to test and verify each new build of the software once it is released by the vendor.

#### **Milestones for Completion**

1. 3 remaining builds to be delivered - Feb 27, March 27 and April 25
2. Conversion of old CAMA data - May 12 - 20
3. System Administration Training - May 19-20
4. Go-live - May 21<sup>st</sup>

- **Telephony Upgrade**

The OCIO is now leading an analysis of a cloud service-based solution and anticipate a recommendation early in the second quarter of calendar year 2014 and are planning for the publication of a new RFP once requirements are finalized.

- **Central Collection Unit (CCU) Accounts Receivable System**

The vendor for the CCU initiative was selected in early February 2014 to implement the Ajility product as the Accounts Receivable system. The planned duration of the project is 8-12 months.

9. What is the status of the CAMA upgrade? Was the targeted completion date of September 30, 2013 met as discussed in your responses to FY12 & FY13 performance oversight? If not, please explain any delays or challenges? What else is planned for CAMA?

**RESPONSE**

The CAMA system upgrade addresses a number of security and audit concerns. The vendor is currently working on the upgrade and the implementation is planned for the second quarter of calendar year 2014 as detailed below. We are expecting three additional software builds to complete the remaining outstanding items from the vendor prior to go-live. OTR continues to test and verify each new build of the software once it is released by the vendor.

**Milestones for Completion**

1. 3 remaining builds to be delivered - Feb 27, March 27 and April 25
2. Conversion of old CAMA data - May 12 - 20
3. System Administration Training - May 19-20
4. Go-live - May 21st.

The original delivery of software did not meet our expectations (the code did not meet the functional and security requirements of the District). It was considered risky to adopt the system because of outstanding issues (would have caused incorrect assessments for the District residents and business) that remained by September 30th. A lot of progress has been made to address those outstanding items since September.

In January we received the most recent release of the software. User acceptance testing (UAT) will be completed for this release by February 26, 2014. UAT will resume after the next scheduled software release date of February 28, 2014.

In the absence of timely deploying the Vision Government Solutions' CAMA upgrade, RPTA has taken a number of steps to mitigate security issues that will be resolved with version 7.0 of the CAMA upgrade. These security solutions have been reviewed by KPMG and have been deemed to be acceptable.

10. Please list each contract, procurement, lease, and grant (“contract”) awarded, entered into, extended and option years exercised, by your agency during FY13 and FY14, to date. For each contract, please provide the following information, where applicable:
- a. The name of the contracting party;
  - b. The nature of the contract, including the end product or service;
  - c. The dollar amount of the contract, including budgeted and actually spent amounts;
  - d. The term of the contract;
  - e. Whether the contract was competitively bid;
  - f. The name of the agency’s contract monitor and the results of any monitoring activity; and
  - g. Funding source.

**RESPONSE**

Please see **Attachment 10**, which provides the information requested for the contracts that are issued by the OCFO and paid for from the agency’s budget. All of the listed contracts were competitively bid unless otherwise indicated. The listing shows all agency contracts issued in FY 2013 and FY 2014 to date as well as contracts issued previously but still active. The “Initial Value” indicates the original amount of the contract award, and in some cases is a “Not to Exceed” amount. The “Actual Value” column shows the current year value or most recent option period value, including the value of any contract modifications.

11. Please provide a chart showing your agency’s approved budget and actual spending, by division, for FY13 and FY14, to date. In addition, please describe any variance between fiscal year appropriations and actual expenditures.

**RESPONSE**

See **Attachment 11**.

12. Please list any reprogramming requests, in or out of the agency, which occurred in FY13 or FY14, 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. OMA

**RESPONSE**

See **Attachment 12**.

13. Please provide a complete accounting for all intra-District transfers received by or transferred from the agency during FY13 or FY14, to date.

## **RESPONSE**

See **Attachment 13**.

14. Please identify any special purpose revenue accounts maintained by, used by, or available for use by your agency during FY13 or FY14, 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 FY13 and FY14, to date; and
  - Expenditures of funds, including the purpose of each expenditure, for FY13 and FY14, to date.

## **RESPONSE**

See **Attachment 14**.

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

## **RESPONSE**

### **BF211C – CFO\$olve**

CFO\$OLVE implemented an array of financial reporting tools for both financial and non-financial users. As a result of an agency outreach program, CFO\$olve applications, reports and dashboards have been developed and delivered to a number of different agencies including the UDC, OFRM and DGS, in addition to providing enhanced reporting and analytical capacity for the ORA. The budget formulation application (BFA) is also being enhanced for the Council budget review process, DCPS budget development and Table 5 adjustments (summary of agency funding changes.) CFO\$olve initiatives in the pipeline for the current year include: mobile access for CFO\$olve reporting tools, economic trends dashboard for ORA and financial reporting for UMC.

The CFO\$olve project plans to spend the project balance of \$2,691,224 over the next 36 months on the initiatives referenced above and other enhancements to CFO\$olve, the Agency Operational Dashboard, and the public-facing CFOInfo sites.

#### **BF301C - SOAR and Budget Modernization**

The DC SOAR Replacement Project (DCSRP) will replace the District's current financial system and budget formulation system. The project is currently involved in go-forward and readiness planning activities. A District-wide requirement gathering and validation effort was completed in December 2013, and in January 2014 the Independent Verification and Validation contractor conducted an independent review of the complete requirement set along with the project plan timetables. We are conducting final requirements review so that the vetted requirement set will be incorporated into the RFP. We are also reviewing our plans for project support to ensure that sufficient subject matter expert (SME) resources are devoted to the project while maintaining ongoing operations.

Current available funding for the project totals \$9,271,572. We anticipate that significant additional funding will be needed to complete this project.

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

The MITS project will replace and modernize the District's Business and Personal Tax Systems. Most of the project cost is for the contract to design, develop and implement the integrated system for the processing and billing of the various income and other tax types managed by OTR. We anticipate contract award during the second quarter of FY 2014. With the phased implementation of the project plan, the first tax types are scheduled to be yielding increased revenue beginning in FY 2016 and accumulating \$42.5 million by FY 2018, with continuing added revenue in the years that follow.

Current available funding for the project totals \$30,717,861, with additional approved funding of \$28.5 million included in the District's Capital Plan for FY 2015 and beyond.

**EQ940C / BF302C / CSP09C – Master Lease** covers capital investments associated with the new systems enhancements as well as regular replacement of OCFO servers and support software. Of the current Master Lease available funding of \$5,116,383, \$2.5 million is dedicated to the MITS project and \$1.5 million is dedicated to the DCSR.

16. Please provide a complete accounting of all federal grants received for FY13 and FY14, to date. OMA/OBP

### **RESPONSE**

The Office of the Chief Financial Officer does not have any grants awarded directly to the agency. However, the administrative costs of food stamps distribution through debit cards is covered by the Food Stamps Grant (SNAP) awarded to the Department of Human Services (DHS). Expenses are recorded for this activity in fund 8200 within the Office of Finance and Treasury (OFT). An annual MOU is signed between the OCFO and DHS. These accounts for the majority of grant funded expenses. In addition to the regular disbursement, a related portion of the supplemental nutrition program is also being managed by OFT. This additional portion of the SNAP grant provides funding for equipment and related startup costs for farmers markets to accept food stamps debit cards. This is a limited grant of \$17,757 that started in FY 2012 and has now been extended until funds are fully utilized. To date there has been \$10,109 disbursed. The balance will be expended in FY 2014. For both of these grant funded activities, a total of \$432,465 was expensed in FY 2013 and a slightly higher amount of \$450,000 is projected in FY 2014.

17. What steps were been taken during FY13 and FY14 to date to reduce agency energy use?

### **RESPONSE**

During FY 2013 and continuing into FY 2014, the OCIO significantly reduced energy consumption at Waterfront Station by increasing their efforts to “virtualize” the working environment through the use of “cloud” technology. These efforts (currently around 75-80% completed) reduce the need for electrical power and cooling ventilation as well as minimize chemical emissions from office equipment.

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

- Reducing heat absorption through the extensive use of green roof assemblies;
- Optimizing energy performance by roughly 17% beyond prescriptive standards through utilization of solar shades on the south and west sides of the buildings;
- Improving indoor air quality through the use of low emitting materials;
- Minimizing energy consumption by operating HVAC on an as-requested basis only after normal operating hours;
- Reducing water demand by roughly 45% by installing low-flow and dual-flush plumbing fixtures.

18. 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**

We are able to manage legislative requirements.

19. 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**

The OCFO is responsible for the implementation of the regulations in the following chapters under Title 9 of the District of Columbia Municipal Regulations (the OCFO is not responsible for chapters 20 - RPTAC; 30 - Unclaimed Property; 31 - Foreclosure Sale of Real Property; or 38 - Central Collection Unit):

Chapter	Subject heading	Recent Revision *
9-1	INCOME AND FRANCHISE TAXES	Electronic Filing Requirements – PR 2/7/2014 Combined Reporting- FR 9/14/2012 Delinquent Debt Collection- FR 9/7/2012
9-2	INHERITANCE AND ESTATE TAXES	
9-3	REAL PROPERTY TAXES	Tax Sale Threshold (improved & vacant properties) – FR 7/5/2013 Fee structure updates – FR 11/9/ 2012. Tax sale threshold - FR 7/6/2012. Flat-fees for Deeds and Mortgages (ROD) – FR 7/23/2011
9-4	SALES AND USE TAXES	Boat Tours & Rentals –PR 11/22/2013 Chapter PR initiative- In progress
9-5	TAX ON RECORDATION OF DEEDS	Update & Revision of entire chapter – PR 2/14/2014 Define “Residential Properties” for lower recordation tax rate – FR 3/15/2013
9-6	REAL PROPERTY TRANSFER TAX	Define “Residential Properties” for lower transfer tax rate – FR 3/15/2013
9-7	PERSONAL PROPERTY TAX	
9-8	MOTOR VEHICLE FUEL TAX	

9-9	TAXATION OF MOTOR FUEL CONSUMED BY INTERSTATE BUSES	
9-10	CIGARETTE TAXES	
9-11	QUALIFIED HIGH TECHNOLOGY COMPANY	Chapter PR initiative- In progress
9-35	GROSS RECEIPTS TAX	
9-37	ESTATE TAX	
9-40	TAX AMNESTY PROGRAM	
9-41	TOLL TELECOMMUNICATION SERVICE TAX	
9-42	GENERAL ADMINISTRATION	Declaratory Orders – FR 3/23/2012
9-99	DEFINITIONS	

PR= proposed rulemaking; FR= final rulemaking

20. Please list each new program implemented by the agency during Fiscal Year 2013 and FY 2014 to date. For each initiative please provide: OMA
- A description of the initiative;
  - The funding required to implement to the initiative; and
  - Any documented results of the initiative.

**RESPONSE**

The OCFO has invested \$4 million from FY 11 through FY 13 to support revenue-generating enhancements to the existing tax systems utilized by the OCFO Office of Tax and Revenue (OTR). **Attachments 20A and 20B** detail the specific initiatives funded, the revenue yielded to date, and the future revenue expected. The two tables show that these programming efforts have yielded \$42 million in direct revenue to the District, facilitated an additional \$11.5 million in revenue recovered by third party contractors, and produced multiple customer service benefits and internal operating efficiencies.

**Attachment 20A** is titled “Results of FY 11 - FY 13 Programming for New Revenue Initiatives”. This is new program development and has clear benefits in generating new revenue. As shown on the table, revenue generated to date totals \$42 million, with an estimated annual revenue benefit of over \$15.5 million.

**Attachment 20B** is titled “Results of FY 11- FY 13 OTR Contractual Programming Assistance”. This was updating work done to existing software or hardware, including cyclical filing season work that was in jeopardy of not getting done due to severe budget constraints. The primary benefit of these efforts was the preservation of existing revenue streams in the midst of a dynamic systems environment. In addition to preserving existing revenue, the District realized additional revenue of \$11.5 million over three years

from systems modifications aimed at providing better information for outsourced collections.

Four of these initiatives are highlighted below.

#### **Federal Vendor Offset**

This program enables the District to recover unpaid taxes (and ultimately other liabilities) from federal vendor payments made by the U.S. Treasury in exchange for providing a reciprocal offset for the Treasury against District payments. The program implemented in February 2013 and has generated nearly \$11 million to date.

#### **DC Vendor Offset**

Implemented in September 2011, this initiative cost approximately \$230,000 to program and enables the District to recover unpaid taxes from payments to District vendors. To date, OTR has captured over \$3 million in delinquent taxes from vendors providing goods and services to the District.

#### **DMV Offset**

Implemented in February 2013 at a cost of \$500,000, this program recovers DMV ticket revenue by reducing amounts owed for DMV tickets from refund amounts to be paid by OTR. The program has generated over \$6 million to date.

#### **Modernized eFile (MeF)/DC Freefile**

Implemented in January for the 2013 filing season, MeF is the District's new single portal for electronically-filed Individual Income Tax returns, and was required by the IRS in order to keep receiving Fed/State e-file returns. Up to 75% of this season's Individual Income Tax returns are expected to be processed as electronic filings by MeF. Along with MeF start-up, the District also decided to use DC Freefile in lieu of the eTSC application for individual income filing. In making this decision, OTR was able to save programming dollars in the lead up to filing season while still providing taxpayers with a free option for electronic filing, and eliminated recurring costs for a third party to transmit Fed/State return data to us.

#### **Prepaid Card Programs**

In FY 2012, the OCFO introduced the Unemployment Insurance Compensation (UI) Debit Card. The program improved the security of payment processes, eliminated fraudulently produced checks and reduced the Office of Finance and Treasury's (OFT) check printing costs. With the success of the UI Debit Card program, OFT has worked to implement additional card programs and expand the benefit of cards versus check payments. Listed below are the additional card programs implemented:

1. Summer Youth Employment Program (SYEP) – employment services for youth during summer months.
2. Transitional Employment Program (TEP) – Project Empowerment – transitional employees program.
3. Senior Aid Program (SEP) – a senior community services program.

4. Pathways for Young Adults Programs – a year-round youth employment program.
5. Out-of-School Program – a year-round youth employment program.
6. In-School Program – a year-round youth employment program.
7. Mayor’s Youth Leadership Institute (MYLI) – a youth leadership program.
8. Department of Youth Rehabilitation Services (DYRS) – a year-round youth employment program.
9. Department of Mental Health (WATP) – a workers’ adjustment training program for Saint Elizabeth’s Hospital patients
10. Grandparent Caregiver Debit Card (CFSA) – pilot program that may be expanded to other CFSA caregivers and foster parents.

There is no cost to the District to issue Debit cards to recipients, as the card issuer, Citi Card Services, derives income on card programs through card network interchange fees paid by merchants that accept the cards. Through these and other efforts aimed at reducing paper checks, the total number of paper checks issued by the District has dropped from 976,000 in FY 11 to 378,486 in FY 13.

For this year’s individual income tax filing season, OTR and OFT have worked together to implement a program that will allow taxpayers to opt to receive their tax refund on a pre-paid debit card through Citibank. This applies only to Individual Income tax refunds under \$2,500 (the average refund is \$973). Taxpayers may still elect to receive their refunds by direct deposit or paper check, but if no selection is made the taxpayer will receive a pre-paid card.

This is expected to save the District significant costs associated with printing and disbursing paper checks, and to provide a benefit to “unbanked” taxpayers who otherwise have to incur additional costs to cash a refund check. Although there are fees associated with some transactions for the pre-paid card, taxpayers can also go to a bank and withdraw all the funds on the card or use the card at Point of Sale without incurring any fees at all.

Through the first 3 weeks of the filing season, we have issued 2,200 refund cards with a value of \$2.1 million.

### **OPRS Federal Police Retirement Initiative**

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

In December 2012, OPRS engaged in a project to replace the DOS-based, proprietary mainframe system. Several factors contributed to the agency’s decision to convert from

the PAPS legacy system to PeopleSoft. The factors included an increasing number of obsolete legacy system components which were not easily supported, thus rendering the system at risk of failure due to insufficient technical support. Additionally, changes to payroll processes and pension legislation were not easily programmable into PAPS. The cost for securing technical experts who were well versed in the PAPS system architecture was too great, thus new pension plan provisions and calculations were administered manually.

The project team leveraged the functional capabilities within the current PeopleSoft System. They utilized PeopleSoft's flexibility to establish new companies within the current payroll system supporting active employees, using Human Resources, benefits and payroll components to pay retirees and annuitants. Moreover, the project demonstrated that a technological solution can be implemented without the need for new code/code modification and minimal configuration changes which is an innovation that reduced the cost to the District and the Federal government. The project's highlights are summarized in **Attachment 20C**.

The first pension benefit payment was issued from PeopleSoft on October 1, 2013 without error. OPRS reduced the number of days to produce a clean payroll by 75% while increasing its productivity. We are now able to run daily audit reports to track data input and correct potential errors that ensures that payroll is run error free.

The Federal Employee Dental and Vision Benefits Enhancement Act of 2004 provided the U.S. Office of Personnel Management (OPM) the opportunity to establish arrangements under which dental and vision benefits are made available to Federal employees, retirees, and their dependents. As Federal employees, retired US Secret Service and US Park Police agents and officers were eligible to enroll in the benefit, however, the PAPS legacy system could not be programmed to provide a mechanism for deducting and transmitting premiums to the appropriate third party vendor. The conversion to PeopleSoft enabled OPRS to accept and transmit premiums on behalf of its retired members thus continuing to add value in customer service.

OPRS is currently working on developing a secured web-portal for the retired members of the US Park Police and US Secret Service which will include a self-service functionality to enable annuitants to make changes to their personal information, i.e., address changes, banking changes, and health insurance changes online throughout the year and during the yearly Open Enrollment season.

21. Please provide a list of all studies, research papers, and analyses ("studies") the agency requested, prepared, or contracted for during FY13. Please state the status and purpose of each study.

### **RESPONSE**

During FY 2013, the OCFO conducted the following studies, research papers and analyses:

**FBI Relocation Study:** At the Mayor and Council's request, the OCFO contracted for an independent analysis of the impact of the relocation of the FBI headquarters building on the District. The study included analysis of two scenarios, one in which the FBI relocated to another location within the District and one in which the FBI relocated to another location outside the District. The study was completed and in June of 2013.

**Skyland TIF Study:** The OCFO contracted for a Tax Increment Finance analysis for the Skyland Development. The study was completed in June of 2013.

22. 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**

The U.S. Congress did not approve the District's annual appropriation by October 1, 2014, which resulted in the District Government using its contingency reserves to avoid a shutdown.

23. Please provide a list of all MOUs in place during FY13.

**RESPONSE**

See **Attachment 23**.

24. 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 FY13 or FY14, to date. Please reference where any audits or reports are located on the OCFO website, where applicable.

**RESPONSE**

See **Attachment 24**.

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

**RESPONSE**

All documents have been submitted to the SEC and the Committee on Finance and Revenue.

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

Assessments"? Please comment on the status of recommendations implemented by the end of Fiscal Year 2013, or implemented during FY 2014.

**RESPONSE**

See **Attachment 26**.

27. What is the status/resolution to the IG report on inappropriate use of handicap placard by a number of employees?

**RESPONSE**

The OCFO has taken appropriate administrative action for all employees who misused handicap placards as reported by the Office of the Inspector General.

28. Please identify all recommendations identified by the Office of the Inspector General, D.C. Auditor, or other federal or local oversight entities during the previous 2 years (FY 2012-2013). Please provide an update on what actions have been taken to address these recommendations.

**RESPONSE**

The following tables represent the recommendations made to the OCFO by the Office of the Inspector General (OIG), and the Office of D.C. Auditor (ODCA) for the previous two fiscal years (FY 2012-2013):

<b>Office of Inspector General (OIG)</b>			
<b>Administration</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>Total</b>
Office of Management and Administration /Office of Contracts (OMA)/OCFO (1 report) OIG 08-1-26 AT	0	9	9
Office of Tax and Revenue (OTR) (2 reports) OIG 11-1-111AT and OIG 13-2-01 AT	0	46	46
<b>Total</b>	<b>0</b>	<b>55</b>	<b>55</b>

**Office of the D.C. Auditor (ODCA)**

<b>Administration</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>Total</b>
Office of Finance and Treasury Report No. DCA082013	0	1	1
<b>Total</b>	<b>0</b>	<b>1</b>	<b>1</b>

**Status of OIG Recommendations:**

The OIG performed a citywide follow-up audit and issued a report dated January 10, 2014. The audit found that out of the 55 recommendations that were addressed to the OCFO, 42 recommendations have been implemented and the remaining 13 are in varying stages of implementation. The OCFO has since closed the two remaining recommendations pertaining to the Office of Contracts identified in report number OIG 08-1-26AT. Completion dates were provided for three of the recommendations made to OTR and the remaining ten are in varying stages of implementation.

**Status of DCOA Recommendation:**

This audit was a follow-up audit and the ODCA concluded that out of the fifteen recommendations provided in the 2008 ODCA report titled “Review of the District’s Cash Advance Fund,” ten were determined to be implemented and/or the activity was discontinued and is no longer be performed; four were “fully implemented”; and one was “partially implemented.”

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

**RESPONSE**

See **Attachment 29**.

30. What has the agency done in the past year to make the activities of the agency more transparent to the public? In addition, please identify ways in which the activities of the agency and information retained by the agency could be made more transparent.

**RESPONSE**

Improving the transparency is an ongoing activity in the Office of the Chief Financial Officer. New entries are put up on the website and existing postings are update on a regular basis. Currently:

- A customer survey for the OCFO website is being designed and will be available to the public in March.
- The CFO has been meeting with business groups, community organizations, ANC Commissioners and nonprofits to explain his plans for the office and to respond to questions and complaints from the public. This is an ongoing activity that will be a constant part of the CFO's schedule throughout the year.

In other activities:

- All FY 2013 Office of Budget Planning-generated reports are now available on the OCFO's website, with the exception of the Capital FTE report, which is ultimately submitted by the Mayor. In most cases, the FY 2012 reports have also been posted.
- The timeliness of the reports and their posting on the website have been significantly improved in the past year.
- These reports include:
  1. Operating Financial Status Report (*Monthly*)
  2. Capital Financial Status Report (*Quarterly*)
  3. Emergency and Contingency Cash Reserve Fund (*Quarterly*)
  4. Variances between Actual Agency Expenditures and Approved Spending Plans (*Quarterly*)
  5. Reprogrammings (*Quarterly*)
  6. Intra-Districts (*Quarterly*)
  7. Capital Project Support Fund (ABC) (*Quarterly*)
  8. DDOT Project Review and Reconciliation (ABC-DEF) (*Quarterly*)
  9. Grant Budget Modifications and Activity (*Quarterly*)

The Office of Budget and Planning plans to (a) further improve CFOInfo, a publicly available repository of the District's financial data, by adding more years of data and seeking to improve user-friendliness; and (b) develop a "Frequently Asked Questions" list about certain budget issues to post to the OCFO web site.

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

- Advertisement of programs with local radio outlets and newspapers
- Staff participation at community outreach events with ANCs, City Council members, other DC government and private entities
- Quarterly briefings with City Council Constituent Services Directors
- In March, OTR holds a series of Tax Resolution Days in every ward
- Quarterly meetings with tax advisory council and practitioners

31. How does the agency solicit feedback from customers? Please describe.

- What the agency learned from this feedback; and
- How has the agency changed its practices as a result of such feedback?

### RESPONSE

The OCFO solicits feedback from customers via:

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

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

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

The Residential Real Property Tax Advisory Council meets twice annually. The next meeting is scheduled to be held on March 20.

OTR Deputy Chief Financial Officer and Real Property Tax Administration staff discusses real property tax legislation and real property tax initiatives, such as the tax sale, billings, assessment notices, and upcoming events.

The principal change resulting from the Residential Real Property Advisory Group was the creation of a program to identify potential beneficiaries for the Senior Citizen Deduction by comparing the income tax reported on returns of those 65 or older to the Homestead file and sending such individuals notices of potential entitlement the Senior Citizen deduction. The Senior Citizen deduction results in eligible individuals receiving a 50% reduction in real property taxes, a very significant benefit. Since the program began in 2012, OTR has notified 600 senior citizens of their potential entitlement to this benefit.

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

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The board members are:

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

The Office of Revenue Analysis meets on a continuing basis with experts in the field including the Congressional Budget Office, local and state governments, nonprofit organizations, businesses and private analysts. These meetings are both informal and regularly scheduled events. The knowledge gained in these meetings is invaluable in producing the most accurate revenue estimates possible.

Below are scheduled ORA advisory meetings and the participants in these meetings.

<b>Event Name</b>	<b>Date</b>	<b>Time From</b>	<b>Time To</b>	<b>Location</b>
1. Real Estate Meeting	Friday, January 24th	9:00 am	11:00 am	1101 4 <sup>th</sup> St, SW Conference Room- W250 (2 <sup>nd</sup> Floor)
2. Revenue Estimation Meeting	Thursday, January 30th	10:00am	12:00 pm	1101 4 <sup>th</sup> St, SW Conference Room- W254/240 (2 <sup>nd</sup> Floor)
3. Business Meeting	Wednesday, February 5th	9:00am	11:00 am	1101 4 <sup>th</sup> St, SW Conference Room- W250 (2 <sup>nd</sup> Floor)

**CFO/ORA Real Estate Advisory Group  
January 24, 2014 Meeting**

<b>NAME</b>	<b>BUSINESS</b>
Greg Leisch	Delta Associates
Mark Palim	Director of Economics and Mortgage Market Analysis, Fannie Mae
Bob Filley	Managing Director, Transwestern
Geoffrey Kieffer	J Street Companies
Deborah Ratner Salzburg	Forest City Washington
David Mayhood	The Mayhood Company
Kami Kraft	The Mayhood Company

Julie Smith	Bozzuto Management Company
Stephanie Williams	Bozzuto Management Company
Brad Fennel	Wm C. Smith & Co.
Elizabeth Blakeslee	Coldwell Banker Residential Mortgage
Darrin Davis	Anacostia River Realty
Ryan Dailey	Prosperity Mortgage Company (Wells-Fargo)
Dominic Turano	First Home Mortgage
Jack Mahoney	Regional Title, Inc.
Brian Hanlon	DC Department of General Services
Jonathan Kayne	DC Department of General Services

**CFO/ORR Revenue Estimating Advisory Group  
January 30, 2014 Meeting**

<b>NAME</b>	<b>BUSINESS</b>
Ron Alt	Federation of Tax Administrators
Mark Booth	Congressional Budget Office
Jeff Holland	Congressional Budget Office
Kim Reuben	Urban Institute
Norton Francis	Urban Institute
Ray Owens	FRB of Richmond
John R. Layman	Virginia Department of Taxation
Andy Schaufele	Maryland Bureau of Revenue Estimates
Holly Sun	Prince George's County Office of Management and Budget
Laura Triggs	City of Alexandria
David Platt	Chief Economist, Montgomery County Department of Finance
Mark I Gripentrog	Badger Sumrall & Co.
Michelle Cowan	Arlington County
John O'Hare	Consultant
William Voorhees	Baltimore City

**CFO/ORR Business Advisory Group  
February 5, 2014 Meeting**

<b>NAME</b>	<b>BUSINESS</b>
Chris Augostini	Georgetown University
Ed Baten	W Hotel
Jacqueline Bowens	DC Primary Care Association
Richard Bradley	Downtown DC Business Improvement District
Jim Dinegar	Greater Washington Board of Trade
Mark Ein	Venturehouse Group, LLC

Elliott Ferguson	Destination DC
John Kim	Destination DC
Tom Fulcher	Studley
Stephen Fuller	The Center for Regional Analysis, George Mason University
Kathy Hollinger	Restaurant Association Metropolitan Washington
Angelo Kostopoulos	Akron Inc.
Mar Kuhlkin	Randstad USA
Mia Liccini	Randstad USA
Craig Muckle	Safeway, Inc.
Jeff Owens	Clyde's Restaurant Group
Shaun Pharr	Apartment and Office Building Association
Julie Sproesser	Restaurant Association Metropolitan Washington
Gerry Widdicombe	Downtown DC Business Improvement District
Tom Wilbur	The John Akridge Companies
Alan Zich	Blake Dickson Real Estate

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

- Additionally, as indicated in the Fiscal Impact Statement for the FY2012 Budget, \$22.6 million of revenue for Combined Reporting is included in the District's budget and financial plan. What amount was collected for FY 2012, and FY 2013? Please explain any difference.

**RESPONSE**

OTR assisted the Council in making statutory amendments related to combined reporting including: 1) Eliminating QHTCs from combined reporting, which means that QHTCs will have to file separate returns in the District; 2) Preventing pass-through treatment of certain partnerships because partnerships are generally taxed as unincorporated business (UB) entities in the District; and 3) Clarifying that a corporate partner's distributive share is added to its income (then later eliminated if the UB is also being taxed on the combined report to prevent double taxation). OTR participated in meetings with the Council and advocacy groups regarding these amendments.

OTR also prepared administrative guidance and sample worksheets on how to include UBs in combined reporting and to prevent any arising double taxation to the partner. This guidance is published on the OTR combined reporting website. The FAS 109

deduction worksheet was also amended to clarify that the deduction must be apportioned. Other schedules were also amended and streamlined. Additionally, OTR conducted presentations to tax practitioner groups and the D.C. Bar regarding the above efforts. OTR staff participated in an intensive week-long combined reporting training hosted by the Multistate Tax Commission to prepare assigned attorneys and auditors for the implementation of combined reporting.

Finally, OTR's Returns Processing Administration completed all of the necessary forms for taxpayers to file combined returns, provided and tested requirements for implementation of combined reporting in the Integrated Tax System and with the lockbox, and continues to monitor taxpayer filings to ensure that the correct adjustments and or inclusions are made for taxpayers filing combined returns.

Collections associated with Combined Reporting on the D-20 and D-30 tax returns totaled \$97.8 million for Tax Year 2011 (filed in FY 2012) and \$168.5 million for Tax Year 2012 (filed in FY 2013). Total Corporate and Unincorporated Franchise Tax collections were \$463.7 million in FY 2012 and \$460.8 million in FY 2013. FY 2012 receipts were \$93.1 million more than in FY 2011, an increase of 25%. Some of this is attributable to improved corporate profits during this period, as well as some overpayments that were received with extensions during the initial filing period. While a good portion of the increase is associated with the implementation of Combined Reporting, more data will be necessary to estimate the full impact. The relatively flat growth in corporate profits from FY 2012 to FY 2013 and an increase in refunds are reflected in the small decline in total collections in FY 2013.

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

- Please provide a status update to the procurement for a database system to accept actual transfers of debt files from District agencies; and receive and track suspension notices. Your performance oversight responses for FY 2012 and 2013 referenced an anticipated contract award date of August 2013. Also, please provide a list of agencies with delinquent debt of more than 60 days that has not been transferred to the CCU.
- Please provide a copy of the CCU Report to the Council identified in Title I, Subtitle E, 1052 of the Fiscal Year 2013 Budget Support Act of 2012 which includes (1) the amount of delinquent debt collected in the preceding fiscal year; (2) The amount of uncollected delinquent debt owed to the District; (3) A summary of the efforts made to collect delinquent debt owed to the District and the challenges that remain for collecting it.. Is this posted on the web? If so, please provide a link. If not, why?

### **RESPONSE**

The contract to procure the database system was awarded on February 5, 2014. The CCU Source Selection Evaluation Board (SSEB) began its evaluation of proposals related to CFOPD-13-R-022 on June 20, 2013. Each step of the formal process was completed

timely and coordinated with the Office of Management and Administration, Office of Contracts. The SSEB submitted final documentation in September 2013 recommending that the contract be awarded to “Columbia Ultimate Company t/a: Rev-Q.” The Notice of Award was granted on February 5, 2014.

CCU cannot assume and collect all agency debts without an implemented database management system. To date, CCU has assumed and collected the debts of agencies that had collection contracts and systems in place to manage the transfer of data between agency and collection contractors. Those agencies are DMV, UDC, and UMC. CCU has continued to work with the remaining agencies in preparation of the database system implementation.

The required annual CCU report to the District Council is attached (see **Attachment 33**).

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

- When did OFT actually form the CCU? Who is its head?

#### **RESPONSE**

The CCU commenced operations on 10/01/2012. The hierarchy starts with Jeffrey Barnette, Treasurer; Clarice Wood, Associate Treasurer, Banking and Operations; and Marc Aronin, Central Collection Unit Manager

- How many FTE’s have been hired? Is the CCU fully staffed?

#### **RESPONSE**

There are currently eight FTE’s and the remaining staff person is an IT Specialist. The current person fulfilling the position is a contractor. The position is posted and the interview process is forthcoming through OCIO.

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

#### **RESPONSE**

Collection activity has been limited to DMV, UDC and UMC. CCU continues to work with OFOS on this overall accounting process. As part of the FY 2013 CAFR accounting close, all agencies with booked receivables (A/R) were required to transfer any debts over 90 days to the CCU. CCU has received test data and A/R from District Department of Energy, Fire and Emergency Medical Services, Metropolitan Police Department, Office of Pay & Retirement Services, and OFT.

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

### RESPONSE

At fiscal year-end, agencies with accounts receivables booked in SOAR older than 90 days were required by OFOS to transfer it to the CCU as part of the CAFR closing process. Until the database management system is implemented, CCU has been receiving and reformatting the data files as needed.

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

### RESPONSE

All debts that the CCU would collect should be booked in SOAR, the District's accounting system of record. CCU worked with the agencies and OFOS to ensure all debts over 90 days were transferred to the CCU via accounting and data files.

- Are there any agencies or collections that are included in the CCU that should not be (and have not already been exempted)?

### RESPONSE

No, there are not any agencies or collections that are included in the CCU that should not be (and have not already been exempted).

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

### RESPONSE

For the agencies that CCU has received debt transfers there is a process for regular transfer. As we continue to coordinate with OFOS and Agency Controllers, CCU will be moving to a Memorandum of Understanding outlining the roles and responsibilities, including record layout, schedule of regular debt transfers, etc.

- How much did the CCU collected in FY 2013? What was projected to be collected? How much has the CCU collected in FY 2014?

### RESPONSE

Please see attached Council report (**Attachment 33**)

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

### RESPONSE

Prior to CCU, there was no District-wide collection effort for non-tax debts. CCU is doing a more complete job of collecting outstanding debt versus the agencies. CCU has recently implemented payment policies and procedures specifically designed to provide a firm, but fair and consistent approach to collection, while providing additional payment options, settlement of debt, and plans to utilize all of the tools afforded the CCU through legislation. To date, customer feedback has been positive, including commendatory messages sent to the OFT Treasurer and Assistant Treasurer, Banking and Operations.

Performance will be measured by maximizing dollars collected through the approach mentioned above, and by ensuring that CCU outside collection contractors work proactively, professionally and in a firm, but fair manner. Collection contractor performance will be measured to industry benchmarks. Collection contracts are written so that, if needed, they can be rebid. Of equal measure is CCU's commitment to provide excellent customer service through professionalism and technical expertise in governmental collection.

35. Please provide a copy of the analysis performed regarding the extension of hours from Title II, Subtitle E of the Fiscal Year 2013 Budget Support Act of 2012 (“Inaugural Celebration and Holiday Extension of Hours Act”).

### **RESPONSE**

Title II, Subtitle E of the Fiscal Year 2013 Budget Support Act of 2012 requires OCFO to submit an analysis of the revenue impact of the Inaugural and Holiday Celebration Extension of Hours Act of 2012. This Act extended on premise alcoholic beverage sales until 4:00 a.m. and food and non-alcoholic beverage sales around-the-clock during the one-week inaugural celebration, including the 2013 and 2017 Presidential Inauguration Weeks, and around District and Federal holidays. At the time the Office of Revenue Analysis estimated that the extensions around the federal holidays would generate approximately \$1.97 million, and extensions during the inaugural week would generate nearly \$800,000.

Office of Revenue Analysis has no reason to believe that the actual revenue impact of this subtitle has differed significantly from the projections we provided at the time. However, it is not possible to report how much has been collected from this policy change. The on premise sale of alcohol and food is taxed at 10 percent. The collections at this rate group include other items (rental cars, prepaid phone cards, among other things) and add up to over \$300 million every year. The projected revenue from Subtitle II-E is 0.6 percent of the total collections and well within the annual variations, which could be as high as \$15 million for this rate group.

36. With regards to the Exemptions and Abatement Information Analysis (TAFE) requirement, how many completed analyses have been performed? Have any TAFE's with the new guidance included in the Fiscal Year 2014 budget been performed yet (if so, please indicate which ones). Regarding section 47-4702, please provide a copy of the

Exempt Property Use Report (FP-161). For the April 1, 2013 deadline to file - how many properties were required to file under 47-4702? Required to file under 47-1007? How many properties did not file by the deadline? How many properties requested an extension? Are there any properties still outstanding (did not file)? How many properties had their status revoked? Are properties able to complete this form and file electronically? If not, is this an option being considered for the future? (if so, when; if not, why not?)

**RESPONSE**

Since October of 2011, when the requirements became law, the OCFO has issued 26 TAFAs. (This does not include TAFAs analyses that were not issued, because the draft legislation did not move forward.) In FY2013, the OCFO issued 12 TAFAs.

No TAFAs have been completed under the new 2014 guidance, as there have been no TAFAs requests under the newly defined categories.

Details of total TAFAs completed to date:

Overall TAFAs Count	
Abatement Needed	15
Abatement Not Needed	7
No Determination Made	4
Not Issued (Legislation withdrawn)	6
In Process	3
<b>TOTAL</b>	<b>35</b>

A copy of the Exempt Property Use Report (Form FP-161) is attached (see **Attachment 36**). For the April 1, 2013 deadline, 119 properties were required to file under D.C. Official Code § 47-4702. In addition, 2,508 properties were required to file by the April 1, 2013 deadline under D.C. Official Code § 47-1007. Twenty three properties did not file by the deadline. In addition, 3 properties requested an extension. Thirty eight properties failed to file an Exempt Property Use Report, which shift the property to taxable status. The 38 includes properties that did not file in 2013 and preceding years. The 23 properties that failed to meet the deadline had their real property tax exemptions revoked. Currently property owners are not able to complete the form and electronically file. This is an option we will be considering in the future, as early as the next filing season. This year’s efforts have been focused exclusively on electronic filing of RPTA’s Income and Expense forms.

37. 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**

See **Attachment 37**.

38. Please provide a breakdown of sales tax collections by type for FY2013 or TY2013 where applicable (and indicate which).

**RESPONSE**

**Figure 5-3 Gross General Sales Tax Revenue by Type of Business, FY 2009 – 2013**  
(\$Millions)

<b>Tax Type</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
General Sales	418.2	392.3	391.2	453.0	449.4
Liquor	22.4	21.9	32.4	47.3	49.2
Restaurant	288.3	317.7	337.5	331.3	351.1
Other tobacco products				1.5	1.1
Parking	40.2	40.6	44.4	56.4	62.3
Hotel	204.3	204.0	209.4	221.5	224.8
<b>Total</b>	<b>973.4</b>	<b>976.4</b>	<b>1,014.9</b>	<b>1,111.0</b>	<b>1,137.9</b>

Source: Office of the Chief Financial Officer/Government of the District of Columbia

39. I want to ask now about FY2015 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**

The information requested is included in the Base Change Reports, which are attached (see **Attachment 39**). These reports only include Classes 1 and 2, as this information is not available for Classes 3 and 4.

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

**RESPONSE**

The Residential Real Property Tax Advisory Council meets twice annually. The next meeting is scheduled to be held on March 20, 2014.

OTR's Deputy Chief Financial Officer and Real Property Tax Administration staff discuss real property tax legislation and real property tax initiatives, such as the tax sale, billings, assessment notices, and upcoming events.

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John Goodman (*NEW*)  
Barbara Kahlow  
Rob Low  
Terry Lynch  
Philip Pannell  
Nancy Macwood

Robert Pohlman

41. For income tax 2013 returns, in addition to direct deposit or check, you have also included the option to receive a debit card. What measurements will be used to determine the success of offering debit cards? Separately, on the payment side, it has been brought to my attention that federal taxes may be paid on a debit card with a flat fee of \$3.99 – can the District consider switching to such a payment system rather than using a vendor that charges a potentially much larger percentage for debit card payments as if they were credit cards?

**RESPONSE**

**Measurements for Success:**

1. Cost Savings – \$3.50 per card savings to the District in lieu of a paper check
2. Citizen Satisfaction
  - a. Percentage of taxpayers selecting the prepaid card out of the eligible universe of payments
  - b. Low number of card-related customer service calls into Citibank Payment Solutions and Office of Tax and Revenue
3. Service Delivery Quality
  - a. Faster turn-around time from tax filing to card receipt
  - b. Faster problem resolution for bad addresses when cards are returned undelivered to Citibank
  - c. Reduced fraudulent check cashing volume

**Federal Tax Debit Card Programs**

IRS tested a card program in 2011 and decided not to offer debit cards directly for refunds. Instead, the big-name tax preparers Turbo Tax, Tax Act, Jackson Hewitt and H&R Block all offer their own version of the tax refund prepaid card. The District’s card is compared below to these tax preparer’s card programs:

<b>FEES</b>	<b>DC Tax Refund Card</b>	<b>Turbo Tax Refund Card</b>	<b>Tax Act Tax Refund Card</b>	<b>HR Block Tax Refund Card</b>	<b>Jackson Hewitt Tax Refund Card</b>
<b>Activation</b>	None	None	\$ 16.65	None	None
<b>Monthly Maintenance</b>	None until 6 months of inactivity, then \$3.00 per month	First month free, then \$5.95	\$ 2.50 per month	None until 3 months of inactivity, then \$2.50 per month	\$ 5.95 per month

<b>ATM</b>	None	One per month free, then \$2.50 each	\$ 1.95 each	\$2.50 each	\$ 2.50 each
<b>Teller Cash Withdrawal at any bank</b>	None for first, \$2.95 each subsequent	\$2.50 each	\$ 5.00 each	\$25.00 each time	\$ 2.50 each
<b>Balance inquiry</b>	None	\$ .50	\$ .95 each	\$1.00	None
<b>Point of Sale</b>	None	None	\$ .95 each	None	None
<b>Transfers to bank account</b>	None	Not available	Not available	Not available	Not available

In summary, the District's Tax Refund Card program offers prepaid cards to taxpayers at no enrollment cost, no monthly maintenance (for the first six months), and no ATM fees (using "in-network ATMSDC-based Citibank, Money Pass, and 7-11 ATMs). Card holders can take the cards into any bank and "liquidate" the card at no cost and or they can have the funds transferred to their bank account at no cost.

Accepting debit cards for a flat fee is being researched by OTR.

42. While I was pleased to note the continued absence of any material weaknesses in the Yellow Book for the CAFR last year, I was discouraged to note some new significant deficiency findings, particularly in areas relating to the CFO. Please discuss each finding along with an update of your responses and a status of the implementation of any remedial action.

### **RESPONSE**

#### **Finding # 2013-02:**

Management concurs with the finding that controls over the recording, reconciliation and reporting of cash and bank account balances were not fully effective during FY 2013. The OCFO OFOS has identified and clarified bank account responsibilities for recording of cash and reconciliation of bank account balances with general ledger and recording, reconciling transactions. Unreconciled items identified during the audit have been reconciled.

The agency financial operations involved in the most significant items of this finding have underscored to each member of their respective staffs the criticality of adhering to the applicable control procedures. Each bank ID will be reviewed monthly and reconciling items addressed timely. Agency Controllers will be required to review and report on the bank IDs for which they are responsible to ensure such significant errors do not remain unresolved. In one area, an additional accountant is being recruited to address the expanded number of bank accounts to be reviewed.

#### **Finding # 2013-03:**

Management concurs with the finding and will further strengthen internal controls related to the identification of completed projects and their timely transfer to depreciable assets. While we issued new guidance on the Construction In Progress Closeout Process in FY 2013, we will continue to provide training to District agencies regarding the proper classification of capital expenditures. We will also expand our policies and procedures to recognize and record a liability for contract retainages, the portion of performed work that is not paid until a project is completed. Management will ensure that the District's Fixed Asset System is updated and reconciled to the CAFR in a timely fashion.

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

### RESPONSE

The outlook for the next quarterly revenue estimate is as follows:

- **National economy.** Generally favorable national economic environment—GDP growth has picked up, and Blue Chip and other forecasts are for stronger growth in FY 2014 and FY 2015.
- **Federal government.** Most likely will continue to be a stabilizing influence for DC, but the full extent of the adverse impact of continuing austerity on all aspects of DC's economy remains to be seen.
- **Private sector diversification.** With the federal government moving to the sidelines, it is not clear what sectors will drive higher wage DC job growth in an increasingly competitive national economy.
- **Population.** In the short run population growth seems set to continue and boost the tax base. The extent to which future population growth depends on job growth, the quality of public services, and affordable housing opportunities remains to be seen.
- **Stock market.** The recent fluctuations in the stock market, which has seen rapid gains over the past year, underscores how important element of DC's tax base is dependent on the uncertainties of national and international capital markets and unexpected events.
- **Office market.** The strength of this sector to continue to add to DC's tax base depends on its ability to obtain tenants and remain profitable, and is an area of concern for us at this time.
- **DC Revenue.** Tax collections for the most part show a slowing trend during course of the past year.

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

### RESPONSE

The estate tax is just one of many revenue sources that exhibit a high degree of volatility (capital gains and deed taxes are other examples of high volatility revenue sources). It is also a relatively small share of total revenue (a little less than 1% compared to the 4% share for the deed taxes). As such, eliminating it would have little or no impact on overall revenue forecasting accuracy. The estate tax is currently forecasted to generate \$38 million in revenue annually for fiscal years 2014-2017, which would be the fiscal impact of its elimination.

45. Who are our Financial Advisors? Please indicate which contracts were renewed in 2013, and any new contracts for Financial Advisors in 2013 or 2014.

**RESPONSE**

See **Attachment 45**.

46. Have there been any delays in DC Filing software for income taxes? If so, why, and what can we do to help? Have delays referenced in your response for FY2012 and FY2013 performance oversight for Franchise and Unincorporated Franchise tax, and combined reporting been resolved? What is the status on efforts to accept and handle electronic filings for all tax payments? For any and all other correspondence the agency receives/requires?

**RESPONSE**

There were no delays in DC Filing software this year. The delays mentioned in our responses for FY2012 and FY2013 have been resolved. With additional resources and the implementation of new procedures, the District made software forms available timely for tax year 2013.

The Returns Processing Administration has the requirements prepared for converting all tax types to electronic filing, however it is not technically feasibility to convert for all tax types at this time due to the planned ITS replacement.

47. 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
- Mayor’s Streetcar Taskforce—John Ross
- Ward Five Industrial Development Taskforce—Betsy Keeler

- Disability Taxicab Advisory Committee—Betsy Keeler
- Tax Revision Commission—Fitzroy Lee
- D.C. Retirement Board—Jeffrey Barnette
- Not For Profit Hospital Board—Stephen B. Lyons
- Board for Review of Anti-Deficiency Violations—Angell Jacobs (Chair) and Mohamad Yusuff
- Emergency Preparedness Council— Mohamad Yusuff and James Glymph
- Single Audit Oversight Committee—Mohamad Yusuff (Chair)
- District of Columbia Financial Literacy Council—Clarice Wood

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

**RESPONSE**

The OCFO’s implementation plan for budget autonomy is under review.

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

**RESPONSE**

It is still too early to discern the fiscal impact that the federal government shutdown had on the local economy. The effect of the shutdown was not evident in November’s collections data. The November tax receipts, which reflect economic activity in October, show an increase in collections for most revenue sources. Collections from income and sales taxes, the two largest categories after property taxes, were actually higher than in October 2012. But data from a single month is complicated to interpret, especially since late filings and lags between the collection and posting of the cash might be inflating the October numbers. Nonetheless, data on the tourism and hospitality sector, which we would expect to be lower because of cancelations from businesses and leisure travelers, show that overall hotel room demand in October in the District did not decline significantly compared to the previous year.

It is also important to note that the impact of the shutdown on the District’s economy was partially neutralized by the budget deal that ended the shutdown, since this deal included retroactive pay to federal workers.

Ultimately, there were no additional costs to the District, not specifically budgeted in our budget and financial plan, resulting from the federal government shutdown. The shutdown did require us to monitor spending and obligations closely while we were drawing down the Contingency Reserve, to make sure we did not exceed the balance we

had available. This created a great deal of additional work but did not have a direct budgetary cost.

50. What is the status of obtaining and implementing a new telephone system for OTR?
- Date of RFP issued, if needed?
  - Schedule for implementation?
  - How old is the current telephone system?

### **RESPONSE**

A RFP was issued on July 23, 2013 to replace the fifteen year-old system currently in use. While the system has seen upgrades during the time it has been in service, the RFP sought a new system. Only two vendors responded to the RFP. One submission was determined to be non-responsive by the OCFO Office of Contracts due to the lack of a CBE sub-contracting plan and the second was found by the SSEB to not be qualified, leading to a decision not to award a contract and to cancel the RFP. The OCIO is now leading an analysis of a cloud service-based solution and we anticipate a recommendation early in the second quarter of calendar year 2014 and are planning for the publication of a new RFP once requirements are finalized.

51. Please provide a list of improvements contemplated for implementation at OTR and the status for each. Include discussion and status of support functions such as technology, human resources, training and procurement. Reference any analysis conducted or studies on continuous improvement for the agency.

### **RESPONSE**

Below is a list of improvements contemplated for implementation at OTR and the status of each.

- **Modernized Integrated Tax System (MITS)**  
A RFP for a replacement integrated tax system was issued March 1, 2013. In December, 2013 the SSEB completed evaluating the technical responses and made a recommendation to the Office of Contracts. We expect to have a contractor begin in late Q2 or early Q3, 2014. This is a five year phased project. A resource plan has been prepared for presentation to the CFO. OTR will require backfill for 18 positions assigned full time to the project once underway. Technology hardware recommended by the contractor will need to be procured as well. MITS will not be mainframe based. The project plan details extensive training for business users and technology support. OTR will require business process re-engineering in some respects that are currently under analysis pending final approval of the contractor selected.
- **Computer Assisted Mass Appraisal (CAMA)**  
A procurement for implementation of the latest software release for Vision Technologies, the current CAMA contractor, which began work on the project in

July, 2013. There was delay due to the continued development of the software release. The planned implementation date of September 30, 2013 was not met as the user testing revealed problems that could not be resolved timely. To some extent, events overcame a delayed implementation because of the urgency to prepare the 2015 assessments for issuance. However, testing continues, and the contractor is providing an updated release of the software on a monthly basis. Nearly all outstanding issues are resolved and implementation is currently planned for Q2, 2014. The issues resulted from the development of new requirements to the industry for security and separation of duty requirements. CIO technology staff has been working with the contractor for knowledge transfer. User training occurred in October, 2013, but refresher training is planned pre-implementation. All hardware technology required has been procured and is in service.

- **Telephony System**

A RFP was issued on July 23, 2013 to replace the fifteen year-old system currently in use. While the system has seen upgrades during the time it has been in service, the RFP sought a new system. Only two vendors responded to the RFP. One submission was determined to be non-responsive by the OCFO Office of Contracts due to the lack of a CBE sub-contracting plan and the second was found by the SSEB to not be qualified, leading to a decision not to award a contract and to cancel the RFP. The OCIO is now leading an analysis of available options. We anticipate a recommendation early in the second quarter of calendar year 2014 and are planning for the publication of a new RFP once requirements are finalized.

- **Improved Tax Sale Procedures**

As of this writing, OTR staff is participating with Finance and Revenue Committee staff, staff from the Attorney General's office, the Mayor's office and private parties on major legislation expected to change significantly DC's annual real property tax sale. The legislation is expected to be in place in time for the 2014 tax sale in July. With the expectation that the legislation will require significant additional work, the OCFO will request additional staffing for the 2015 budget.

- **Enhanced Community Outreach**

OTR has redoubled its efforts to enhance its community outreach efforts by participating in community events and hosting a Tax Resolution Day in each ward.

52. What, if anything is needed to improve lockbox functions used by the OCFO? Are there legislative fixes you would suggest or recommend?

## **RESPONSE**

### **Office of Finance and Treasury:**

Lockbox is a necessary banking service to collect check revenue for the OCFO. The largest user of lockboxes is OTR. It is OFT's goal to reduce its usage and expense. Lockbox functions can be improved and become more cost effective by including scan

lines on invoices or customer payment documents, receiving image files for record retention and audit needs, and updating revenue collection databases via an electronic data file instead of manually. None of these recommendations require legislation.

However, OFT recommends legislating payment to vendors or employees via electronic means only (direct deposit or debit cards) to replace checks. The Department of Treasury mandated that payments from the federal government be made electronically and not by paper check as of March 1, 2013. The District spends \$2.25 per paper check vs. \$.15 per ach for direct deposit or debit card payments. Electronic payments are faster, safer, and cost effective.

### **Office of Tax and Revenue:**

OTR's Returns Processing has one FTE, the primary responsibility of which is to coordinate with the lockbox, enabling OTR to address situations immediately as they arise. Returns Processing performs site-visits with the lockbox vendor and has a yearly "lessons learned" meeting in which improvements and changes are discussed at length prior to implementation. At this time there are no legislative requirements needed as it relates to lockbox processes.

53. What is the timeline to have a new form and instructions for Schedule H available for public review and comment; and new Frequently Asked Questions (FAQ)?

### **RESPONSE**

The Schedule H, along with all schedules used by the District, are reviewed and changed as needed each year by Returns Processing and the technical group prior to implementation. The schedule H can be released in **draft** form (providing that there are no legislative changes) by mid-August.

54. Are electronic withdrawals possible for those who participate in the 529 College Savings Plan? If not, why, and what is needed to make that an option? As of now, District residents apparently must send a paper form to Kansas City in order for a paper check to be cut and mailed. Other states apparently provide electronic withdrawal options.

### **RESPONSE**

The Office of Finance and Treasury (OFT) is looking into offering electronic withdrawals from the DC College Savings Plan for participants who elect to do so. Currently, participants have the option to request distributions by completing a pdf fillable distribution form and mailing it to Boston Financial, Calvert's record keeping agent. The form provides the participant the option to have their payment sent to their bank account

via electronic funds transfer provided the participant had the instructions previously authorized; if not a check will be issued.

Once we implement an electronic withdrawal requests, the participant will not have to mail in a distribution form; they will be able to process their request online by securely logging into their account on DCCollegeSavings.com. However, if the participant did not previously provide Calvert with their bank account information for electronic transfer, a check will be sent to the account owner or qualified educational institution on their behalf.

The Office of Finance and Treasury is awaiting a detailed outline of the process from Calvert to ensure the proper controls are established. We anticipate receiving this outline by the end of February. Once we receive the outline from Calvert we will engage our auditors to review the process. Also the OCFO General Counsel's office will need to update and post the DC College Savings regulations in the D.C. Register. We anticipate it will take six to nine months to complete the implementation.

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

#### **RESPONSE**

On October 1, 2013, the method by which the motor fuel tax was calculated changed. The wholesale rate for October through March was set at the floor price of \$2.94 per gallon because the six-month average regular gasoline price for our geographic region for January through June was below the floor (\$2.87). (The District is located in the Central Atlantic Petroleum Administration for Defense District or PADD 1B.) The rate will be set again on April 1<sup>st</sup> to cover April through September. Early indications are that the six-month average for July through December will also fall below the floor resulting in a wholesale price of \$2.94 for the second half of FY2014. Because the rate will likely be at the floor of \$2.94 per gallon for the entirety of FY2014, we expect revenue collections to be in-line with the original projection of \$21,780,000.

56. Please discuss any changes you have made to the tax sale process in light of the emergency legislation I authored last year. Please also discuss any other administrative changes you have made or would recommend going forward. Thank you for your collaboration with my staff in refining my legislative proposal, Bill 20-23, and I hope we are able to better balance our need to collect taxes with our responsibility to protect our most vulnerable residents going forward.

#### **RESPONSE**

We too share your concern about vulnerable residents. OTR is regularly reviewing current policies and procedures in an effort to improve the administration of the annual tax sale. In the last year, we have implemented a series of additional practices:

- OTR shares the list of all properties that have received a tax sale notice (The May Notice) with large mortgage companies, AARP and other entities that may have an interest on the property or provide service to property owners;
- Payments are being posted more timely. OTR has streamlined the processing and posting of real property tax payments by partnering with Wells Fargo to handle the entire life cycle of the billing and collection of such payments. Today, Wells Fargo handles all aspects of preparing the bills and receiving payments.
- OTR removes properties whose delinquent taxes were paid more timely as a result of real time payment reports.
- OTR sends a post-Tax Sale Notice to all property owners informing them that their property was recently sold at the tax sale and how to redeem it.