

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

**AUDIT OF INTERNAL CONTROLS OVER THE CASH COLLECTION
PROCESS AT SELECTED NON-OCFO AGENCIES**

OFFICE OF INTEGRITY AND OVERSIGHT



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



Office of Integrity and Oversight

May 4, 2015

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District of Columbia Taxicab Commission
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Dear Messrs. Barnette, Rogers, and Moosally,

This final report summarizes the results of the Office of the Chief Financial Officer (OCFO)'s Office of Integrity and Oversight (OIO)'s Audit of Internal Controls over the Cash Collection Process at Selected Non-OCFO Agencies. The objectives of the audit were to determine whether selected non-OCFO Agencies complied with applicable laws and regulations regarding cashiering operations and to evaluate the effectiveness of internal controls to safeguard the District's assets from fraud, waste, and abuse. The audit was conducted at the District of Columbia Taxicab Commission (DCTC) and the Alcoholic Beverage Regulation Administration (ABRA).

The audit identified internal control weaknesses that needed improvement in the following areas:

At both ABRA and the DCTC:

- Better documentation was needed to support voided transactions and to establish a clear audit trail to verify that a void is valid; and, if required, the correcting transaction was processed into iNovah.
- The iNovah database of allocation codes needed to be reviewed, and unneeded codes deactivated. We identified 18 allocation codes shown as active; however, these codes had no activity in over 5 years.

- Standard Operating Procedures (SOP) for cashiering operations need to be developed at the DCTC and updated at ABRA.
- Improved controls were needed over the filing of supporting documentation for iNovah transactions to ensure documents are readily available for review or audit.
- A standardized system for establishing a uniform customer account number is needed to ensure iNovah's query and audit features could be fully utilized.

We addressed 3 recommendations to the Deputy Chief Financial Officer and Treasurer (OFT), and 8 recommendations to the Interim Chairman, District of Columbia Taxicab Commission (DCTC), and/or the Director, Alcoholic Beverage Regulation Administration (ABRA). OFT, DCTC, and ABRA concurred with our findings and recommendations and provided respective corrective action plans with target completion dates. We consider the responses to be responsive to our findings and recommendations. The full texts of the responses are included as Appendix 1, 2, and 3.

We appreciate the assistance and cooperation that you and your staff provided to OIO during the audit. Should you have any questions related to the report, please contact me at (202) 442-6433; or Mohamad Yusuff, Internal Audit Director, at (202) 442-8240.

Sincerely,



Timothy Barry, Executive Director
Office of Integrity and Oversight

cc: Jeff DeWitt, Chief Financial Officer, Government of the District of Columbia
Angell Jacobs, Deputy Chief Financial Officer and Chief of Staff, OCFO
Cyril Byron, Jr., Associate Chief Financial Officer, EDRC
Marshelle Richardson, Chief Risk Officer, OCFO
Clarice Wood, Associate Treasurer, OFT

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ACRONYMS

ABRA	Alcoholic Beverage Regulation Administration
DCTC	District of Columbia Taxicab Commission
EDRC	Economic Development and Regulation Cluster
MPD	Metropolitan Police Department
OCFO	Office of the Chief Financial Officer
OFT	Office of Finance and Treasury
OIO	Office of Integrity and Oversight
SOAR	System of Accounting and Reporting
SOP	Standard Operating Procedures

EXECUTIVE SUMMARY

OVERVIEW

The Office of the Chief Financial Officer (OCFO)'s Office of Integrity and Oversight (OIO) conducted an audit of the internal controls over the cash collection process at selected non-OCFO Agencies. This audit was included in the OIO's FY 2014 Audit and Integrity Plan. The agencies selected for the audit were the District of Columbia Taxicab Commission (DCTC) and the Alcoholic Beverage Regulation Administration (ABRA). The audit objectives were to determine whether:

- selected non-OCFO Agencies comply with applicable laws and regulations regarding the cashing process; and
- effective internal controls are in place at selected non-OCFO agencies to safeguard the District's assets from fraud, waste, and abuse.

CONCLUSION

Based on this audit, we concluded that internal controls over the cash collection process need to be strengthened. We found:

- The evidence for voiding transactions did not provide enough details to establish a clear audit trail to verify that the void was valid.
- Standard Operating Procedures (SOP) either did not exist or did not reflect the current business environment.
- The iNovah database needs to be updated and un-used allocation codes deactivated. We identified 18 allocation codes shown as active, but these codes had no activity in over 5 years.
- At DCTC, the supporting documentation for iNovah transactions could not be provided because the documents were not stored and maintained in a systematic order. In addition, there were no uniform procedures for establishing account numbers, which compromised iNovah's query and audit features.

SUMMARY OF RECOMMENDATIONS AND MANAGEMENT RESPONSES

We provided 11 recommendations to improve the internal controls over the cashing operations at these two agencies. The recommendations focused on:

- Improving procedures over processing and documenting voided transactions.
- Implementing uniform procedures for creating unique account numbers so that iNovah's query and audit capabilities will not be compromised.
- Identifying iNovah allocation codes that are no longer needed and request the Office of Finance and Treasury (OFT) to deactivate those codes.
- Updating or developing Standard Operating Procedures (SOP) for cashing operations.
- Ensuring documentation supporting iNovah transactions is filed in an organized manner so that it can be easily retrieved if needed for audit or review purposes.

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We received management comments from OFT (April 10, 2015), DCTC (April 17, 2015) and ABRA (April 15, 2015). The Management of the three agencies concurred with the report findings and recommendations. The response from each agency proposed corrective actions, with projected completion dates, that, when implemented, will correct the conditions identified in the report. The completed texts of the OFT, DCTC and ABRA responses are provided in Appendix 1, 2, and 3.

INTRODUCTION

BACKGROUND

The Office of Finance and Treasury (OFT) has the overall responsibility to oversee the collection of all revenues on behalf of the District of Columbia Government. The District collects payments from a variety of sources such as taxes, permits, licenses, fines, and fees. Revenues (fees for services) paid to the District by point of sale (in person, over the counter transactions) are done at cashiering offices located at agencies throughout the District. At the time of our audit, there were 46 cashiering offices in the District; 35 of these offices were non-Treasury sites and 11 were OFT cashiering sites. OFT provides non-Treasury agencies with training and tools, such as iNovah Cashiering System or Desktop Deposit software through the District's bank to operate these sites, 27 of which use iNovah and 19 use Desktop Deposit for making deposits. Agencies using Desktop Deposit had to manually key transactions into the System of Accounting and Recording (SOAR), the District's financial system; whereas iNovah interfaced with SOAR and automatically updated it on a daily basis. The main difference between an OFT and non-Treasury site is that OFT sites have OFT employees and are allowed to accept cash payments, whereas non-Treasury sites can only accept checks, money orders, and credit cards. Our audit focused on non-OCFO sites that use the iNovah system.

OFT oversees access to iNovah, approves access levels; and with input from users, establishes and enters into iNovah the payment type (agency code) and allocations codes (revenue stream) associated with the accounting attributes budgeted in SOAR. OFT is also responsible for maintaining the database of allocation codes. If an allocation code is no longer required, the agency should notify OFT through its respective finance office, and OFT will deactivate the code. Annually, OFT requires that a recertification form be completed by contacting each user by email to determine whether iNovah access is still required or if responsibilities have changed. The user must complete a new access form, signed by his/her supervisor, and return the form to OFT for cross reference. OFT will deactivate the user's access privileges if no access form is returned by the due date.

Each cashier is assigned a unique cashier identification number. At the beginning of the day, iNovah will assign each cashier that logs onto iNovah a batch number. All transactions processed by that cashier will be recorded in that batch. Each transaction is sequentially numbered. The steps for processing a transaction include selecting the payment type (agency code), entering the customer account number (specific number related to the payment being processed), selecting the allocation code(s), specifying the payment amount, specifying the tender (check, credit card, money order), scanning the check or manually enter checking account information, validating the document, and printing the receipt. To provide accurate accounting, iNovah permits a transaction to be assigned to more than one allocation code. For example, if a customer is renewing a license for \$250 and has a \$50 late fee, the payment can be entered as a single transaction, split into two allocations, one for the license fee and one for the late fee. Allocation codes are preprogrammed into iNovah by OFT based on information provided by the user agencies. The codes can be accessed by the cashier through a drop down box. Each allocation code has a corresponding SOAR account number associated with it so that when the daily iNovah/SOAR interface is run, the proper SOAR account is charged.

INTRODUCTION

If a cashier makes an error, the transaction can be voided. For audit and accountability purposes, iNovah does not delete the voided transaction, but adds another transaction with a separate transaction number, so that at the end of the day the batch will have a sequential list of all transactions processed. The iNovah system also offers a data field for the cashier to enter the reason the transaction was voided, and to also identify the correcting entry, if one was needed. OFT assigns all access privileges and authorities for iNovah; as such, if a cashier needs to void a transaction, the transaction must be approved by a supervisor.

At the end of the day, each cashier closes and balances the batch, and then gives the batch totals, checks, credit card receipts, and all supporting documentation to the supervisor. The supervisor or person responsible for reconciling each cashier's batch; verifies that the iNovah check and credit card totals agree with the checks and the credit card receipts. If everything balances, an Image Cash Letter for the checks is created and sent to the bank, and a Consolidated Deposit is created to interface all the transaction batches of the day to SOAR. This eliminates the need for processing manual journal entries. Supporting documentation along with the checks are filed, and after 30 days the checks are shredded in accordance with OFT's Standard Operating Procedures.

OBJECTIVES, SCOPE AND METHODOLOGY

The audit objectives were to determine whether: 1) selected non-OCFO Agencies comply with applicable laws and regulations regarding the cashiering process; and 2) effective internal controls are in place at selected non-OCFO agencies to safeguard the District's assets from fraud, waste, and abuse.

In order to achieve these objectives, we examined a statistical sample of 95 cashiering transactions from each of the two agencies selected for the audit: the District of Columbia Taxicab Commission (DCTC) and the Alcoholic Beverage Regulation Administration (ABRA). The audit covered a 9-month period from October 1, 2013, to June 30, 2014. Our examination included verifying that proper amounts were charged; late fees, if applicable, were accurate; determining whether the reasons for voided transactions were adequately documented; and if a correcting entry was needed, it was made and the amount was accurate. We also interviewed and met with responsible personnel from OFT, ABRA, DCTC, and the Office of Economic Development and Regulation Cluster (EDRC).

We relied on computer-processed data from iNovah. We did not perform a formal reliability assessment of the computer-processed data because the system reliability tests were performed previously as part of the District's annual financial statement audit of the Comprehensive Annual Financial Report (CAFR). We did, however, perform limited tests, such as verifying that the total revenues identified by iNovah agreed with the revenues reported in SOAR for the period of the audit. We also verified that daily batch transactions were sequentially numbered, and voided transactions were not deleted from the system.

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

FINDING AND RECOMMENDATIONS

FINDING: INTERNAL CONTROLS OVER CASHIERING OPERATIONS
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SYNOPSIS

We found that the DC Taxicab Commission (DCTC):

- Did not maintain an organized filing system of the supporting documentation for transactions processed. We found that, as far back as November 2012, the supporting documentation was placed in cardboard boxes, or simply placed in piles on the floor in no particular order;
- Did not adequately document the reason for voiding a transaction; and if a correcting entry was required, it did not identify that transaction number of the correcting entry;
- Did not have a standardized process for assigning unique account numbers;
- Did not always charge the correct fees for licenses and late charges; and
- 8 of the 58 iNovah transaction allocation codes assigned to the DCTC had not been used in over 5 years.

We found that the Alcoholic Beverage Regulation Administration (ABRA):

- Did not adequately document the reasons for voided transaction, and if a correcting entry was required, it did not identify the transaction number of the correcting entry.
- 10 of the 19 iNovah allocation codes assigned to ABRA had not been used in over 5 years.

These conditions existed due to inadequate supervisory oversight and monitoring of iNovah transaction postings, including lack of proper documentation for voided transactions; and outdated or non-existent operating procedures. As a result, there is no assurance that all voided transactions were valid, and that all fees and fines due to the District were collected. Officials at DCTC stated that its document storage condition was caused because it ran out of file storage space.

DISCUSSION

DC TAXICAB COMMISSION (DCTC)

The primary mission of the DCTC is to provide District residents and visitors with a safe, comfortable, and affordable taxi service. Its goal is to try and ensure that cabs operating in the District are comfortable, well-equipped vehicles that are operated by qualified drivers, who have knowledge of the Districts streets, boundaries, and popular tourist destinations. To accomplish these goals, new drivers are required to be fingerprinted, complete a background check, pass established testing requirements, and provide documentation that demonstrates he or she meets

FINDING AND RECOMMENDATIONS

the citizen and residency requirements. New drivers are issued a license valid for one year, and drivers applying for renewals are issued two year licenses. The three most common types of licenses issued by the DCTC are: 1) taxi; 2) limo; and 3) taxi/limo. At the time of our audit, the license fees for each type of license were: taxi \$125/\$250¹; limo \$150/\$300; and taxi/limo \$275/\$550. According to the DCTC database of active licenses maintained on its website, there were 8,213 taxi licenses, 558 limo licenses, and 880 taxi/limo licenses issued as of December 16, 2014. According to iNovah records, the DCTC processed 13,455 transactions valued at about \$1.7 million during the period October 1, 2013, through June 30, 2014.

Documentation. We found documents dating back to November, 2012, that were not stored or maintained in any organized manner. These documents were placed into boxes or put into piles on a table or on the floor of the DCTC's file room, and were not organized in chronological or alphabetical order. The DCTC did have rolling file system, but each of the shelves was filled to capacity. We were told by the DCTC officials that they were required to permanently retain all information on every driver and this led to the shortage of file space. The DCTC officials also stated that a contractor had been hired to sort the several years' unfiled documents and to set up an orderly filing system. However, because of the current condition of the files, we were not able to obtain the supporting documentation for the original sample of 95 transactions selected based on systematic sample selection technique. Therefore, to complete our testing of sampled transactions, we had to use an alternative acceptable technique for statistical sample selection (haphazard sample selection technique). We selected 95 transactions from the piles of unfiled documents that were processed within the scope of our audit (October 1, 2013, through June 30, 2014). We then compared the information on these documents to the information entered in iNovah as opposed to tracing the iNovah transactions back to supporting documentation as originally planned.

Sample Results. We selected a statistical sample² of 95 transactions/documents (out of 13,455 transactions processed between October 1, 2013, and June 30, 2014). We compared the information on these 95 documents to the information recorded in the iNovah. We also compared the license number and type listed on the documentation to the license number and type recorded in the DCTC data base of licenses issued.

Of the 95 transactions examined, we found that 11 (about 12 percent sample error rate) were not processed accurately, based on the available information. Of the 11 transactions, we found 6 were not charged the correct license fee; 4 were either not charged or charged an incorrect late fee; and 1 had the correct license fee but the transaction was voided. According to the available documentation, this resulted in the driver not paying for his license renewal. We calculated that these inaccuracies resulted in \$1,875 lost revenues to the DCTC. The statistical projected error rate across the entire population is 19.17 percent which would result in 2,579 errors out of the

¹ \$125 is for one-year license; \$250 is for two-year license. The same pattern goes for limo and taxi/limo licenses.

² The statistical sample criteria were: confidence level 95%, materiality level 5%, and auditor's expectation of error 2%.

FINDING AND RECOMMENDATIONS

13,455 transactions processed by the DCTC during the 9-month audit period. Table 1 below presents the details of our analysis and finding.

Table 1: Transactions Inaccurately Processed

Item No.	Amount Charged	Correct Amount	Over/ (Under) Charge	Transaction Description	License Database
1	\$125.00	\$550.00	(\$425.00)	Charged 1 year taxi license	Issued 2 year taxi/limo
2	\$300.00	\$550.00	(\$250.00)	Charged for 2 year limo renewal	Issued 2 year taxi/limo
3	\$425.00	\$550.00	(\$125.00)	Charged 1 year taxi and 2 year limo renewal	Issued 2 year taxi/limo
4	\$400.00	\$450.00	(\$50.00)	55 Days late - charged late fee for 31-45 days	Issued 2 year limo
5	\$0.00	\$275.00	(\$275.00)	Charged \$275 taxi/limo – transaction voided on 6/11/14	Active 1 year taxi/limo
6	\$275.00	\$300.00	(\$25.00)	21 Days late - charged late fee for 1-15 days	Issued 2 year taxi
7	\$300.00	\$550.00	(\$250.00)	Charged 2 year limo renewal	Issued 2 year taxi/limo
8	\$300.00	\$550.00	(\$250.00)	Charged 2 year limo renewal	Issued 2 year taxi/limo
9	\$300.00	\$550.00	(\$250.00)	Charged 2 year limo renewal	Issued 2 year taxi/limo
10	\$400.00	\$350.00	\$50.00	28 Days late - charged late fee for 31-45 days	Issued 2 year limo
11	\$550.00	\$575.00	(\$25.00)	Renewal was late 6 days - no late fee charged	Issued 2 year taxi/limo
Total	\$3,375.00	\$5,250.00	(\$1,875.00)		

Voided Transactions. When a transaction is voided, iNovah provides a data field to document the reason for voiding the transaction. The DCTC did not adequately document reasons for voided transactions. One of the transactions included in our audit sample (No. 5 in Table 1 above) showed a \$275 charged for a new taxi/limo license processed on June 11, 2014. The transaction was voided and the reason given for the void was *“wrong amount – \$275 should be \$41.50”*. This voided transaction was the last transaction the cashier processed on June 11, 2014. The \$41.50 charge was the standard fee for fingerprints, and in this case, that charge was already paid and processed on May 27, 2014. After paying the fingerprint fee, the driver then took the application to the Metropolitan Police Department (MPD) where he was fingerprinted. When the applicant returned to the DCTC on June 11, 2014, to pay for his license, he had the application with the MPD fingerprint case information, as well as the iNovah receipt information showing the \$41.50 paid on May 27. The cashier processed the \$275 license fee, and the receipt information for that transaction was printed on the application right next to the \$41.50 receipt

FINDING AND RECOMMENDATIONS

information. There was no reason that this transaction should have been voided. Using the account number, we ran a query of all payments made under this account number, and the only two transactions found were the \$275 “original” charge and the “voided” charge for (\$275). We verified in the DCTC database of issued licenses that this license number was active with an expiration date of September 12, 2015. Based on all available information, we concluded that this driver did not pay for his license renewal.

As an additional test, we ran a query of all voided transactions by the DCTC for the period October 1, 2013, through June 30, 2014, and found that 104 transactions valued at about \$17,000 were voided during the 9-month audit period. We randomly selected a non-statistical sample of 30 voided transactions for testing, and found that 9 transactions were either not valid, inaccurate, or inadequately supported. Table 2 below presents summary of our analysis and findings regarding these 9 voided transactions.

Table 2: Analysis of Voided Transactions

No.	Transaction Date and Time	Amount Charged	Void Date and Time	Amount Voided	Amount Recharged	Reason for Void	OIO Comment
1	06/11/14 8:49 AM	\$125	06/11/14 3:56 PM	\$ 125	--	Should be \$41.50	No other fees charged to account; no evidence license fee was paid.
2	06/11/14 9:31 AM	\$125	06/11/14 4:00 PM	\$ 125	--	Should be \$41.50	No other fees charged to account; no evidence license fee was paid.
3	06/11/14 9:41 AM	\$275	06/11/14 4:04 PM	\$ 275	--	Should be \$41.50	\$41.50 charged in May, 2014, no other fees charge, license active per DCTG license data base; no evidence license fee was paid.
4	06/11/14 9:44 AM	\$125	06/11/14 9:45 AM	\$ 125	\$41.50	Should be \$41.50	License active per DCTC license data base; no evidence license fee was paid.
5	11/5/13 9:04 AM	\$275*	11/5/13 9:08 AM	\$275*	\$325*	Should be \$325* not \$275*	Should be \$575* taxi/limo renewal per DCTC license data base.
6	06/17/14 10:53 AM	\$125	06/17/14 10:56 AM	\$125	\$41.50	Should be \$41.50	No evidence license fee was paid.
7	03/06/14 10:54 AM	\$125	03/06/14 10:56 AM	\$125	\$41.50	Should be \$41.50	Active license per DCTC license data base – no evidence license fee was paid.
8	05/28/14 1:19 PM	\$250	05/28/14 5:17 PM	\$250	--	Additional bills desired on transaction	No other fees charged to account, active license per DCTC license data base.
9	11/27/13 3:23 PM	\$250	11/27/13 3:53 PM	\$250	\$300	Should be \$300 not \$250	Per the DCTC license data base license is active taxi/limo – fee should be \$550.

* Charge included a \$25 late fee

FINDING AND RECOMMENDATIONS

Documentation to support voided transactions warrants immediate improvement. The reasons should provide a clear audit trail to document that the void was justified; and, if a correcting transaction was needed, the reason should also include the number of the correcting transaction. Furthermore, when a supervisor approves a void transaction in iNovah, the supervisor should review the supporting documentation to ensure that the reason for voiding the transaction is valid and in compliance with applicable regulations.

Account Numbers. The DCTC did not have a standardized method or process for creating account numbers for taxicab and limo drivers. As a result, the iNovah query and audit features become compromised and are not as effective. One of the available iNovah queries was to find payments by account numbers. Using this query, iNovah will list every payment made to that particular account. However, because DCTC did not implement a standardized method for establishing account numbers, the accuracy of the results could not be verified or relied upon. The use of multiple account numbers for the same transaction and its adverse effect on researching past transactions was demonstrated in the following 2 voided transactions that were processed November 27, 2013, in batch number 24715.

- Account Number **REN TAXI 70331** charged \$250 for a 2-year taxi license. This transaction was voided and the reason was “*wrong amount it should been \$300 not \$250*” (\$250 license fee plus \$50 late fee). We ran the iNovah payment query using the account number “REN TAXI 70331” and found that the only two charges posted were the original charge and the void. We initially concluded that the \$300 was never charged and posted in iNovah. However, as an additional test, we ran the batch transaction list showing all transactions for the day and found a charge for \$300 posted immediately after the void. The detail report showed the charge was processed using the account number **REN LATE FEE TAXI 70311** (late fee was added and the license number was entered wrong). We verified in the DCTC database of active licenses that 70311 was not a valid license and concluded this charge was for REN TAXI 70331. However, because the cashier changed the account number, it did not appear in our query of payments. Using different account numbers for the same transaction compromises the accuracy and effectiveness of the iNovah query and audit features and makes tracking past transactions practically fruitless.
- Account Number **REN TAXI 76434** charged \$250 for a 2-year taxi license. The transaction was voided and the reason was “*wrong amount, the charge should be \$300*”. We ran the iNovah payment query and the only payments charged were \$300 in November 2011, and the \$250 and subsequent void of \$250) in November 2013. However, by reviewing the batch transaction report, we noted a charge for \$300 immediately following the void (\$250 license fee and \$50 late fee). This transaction was processed using the account number REN TAXI, which is the reason it did not appear on the payment query for account REN TAXI 76434.

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Another issue with this transaction is that according to the DCTC data base of active license numbers, license 76434 is listed as a Taxi/Limo license, and the fee for that license is \$550, and not \$250.

We also ran the payment query using the account number **REN TAXI** and found that 233 payments were processed under that account number with transaction dates ranging from November 26, 2008 through February 4, 2015. Since a driver renews his/her license every two years, it can be concluded the multiple licenses were renewed using the Ren Taxi account number, and there is no way to identify these individual drivers or license numbers.

During our review of the 95 statistical sample transactions, we noted that account number creation is basically left up to the individual cashier. Table 3 below shows some of the different account number formats we noted for fingerprints, new taxi licenses, taxi renewals, and new taxi/limo licenses.

Table 3: Inconsistent Account Number Formats

No.	Fingerprints	New Taxi	Taxi Renewal	New Taxi/Limo
1.	Fingerprint	New Driver Last Name Taxi	Ren Taxi License number	New Taxi/Limo First & Middle Initials Last Name
2.	Fingerprint – Last Name	New Driver Last Name	Ren Taxi	New t/l/sedan First Initial Last Name
3.	New Taxi First & Middle Initials Last Name	New taxi First & Middle Initials Last name	Ren License Number Taxi	New Taxi/Limo/Sedan First Initial Last Name
4.	New Driver Last Name	New taxi Last name	Ren License Number	New t/l/s First & Middle Initial Last Name
5.	New Driver Fingerprint	New Last Name	Ren # License Number Taxi	New Driver Last Name Taxi Limo Sedan

The DCTC needs to establish a single, uniform system for assigning account numbers that will result in a unique identification number to clearly and correctly identify each taxi and limo driver, and to facilitate verification of past transactions for review and other official business purposes. For transactions involving drivers, the DCTC should consider using only the license number as the account number, without adding Ren Taxi or any other description of the transaction that would compromise the integrity of the single account number identification system. This method would provide a history of all transactions made in connection with each license and would provide an audit trail for all transactions processed.

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We realize that license applicants will not have a license number when they come for the driver test, fingerprints, and their initial license. For these transactions, the DCTC could consider using the applicants' last name along with the last four of the social security number, or some other unique method to identify an applicant until he/she gets his/her taxi or limo license. For transactions that do not involve drivers, the DCTC will have to develop a system for creating unique account numbers and ensure all DCTC Cashiers use the same system. Without a uniform identification system, the transaction query tools of iNovah system become less effective.

ALCOHOLIC BEVERAGE REGULATION ADMINISTRATION (ABRA)

The mission of ABRA is to support the public's health, safety and welfare through the control and regulation of the sale and distribution of alcoholic beverages. ABRA has 4 divisions, General Council, Enforcement, Administration, and Licensing. The licensing division is responsible for issuing new and renewal licenses to liquor stores, grocery stores, restaurants, hotels and other establishments that manufacture, distribute, sell or serve alcoholic beverages in the District of Columbia. The cashiering operations of ABRA are under the Licensing Division, and the Administration Division is responsible for records management, which includes the supporting documentation for transactions processed by the Licensing Division.

ABRA issues 7 different types of licenses and 6 different classes. These 7 types of licenses are: 1) wholesale; 2) manufacturer; 3) on-premise consumption retail; 4) off-premise consumption retail; 5) caterer; 6) solicitor; and 7) temporary. The class of license determines what the licensee can sell (beer; beer and wine; or beer, wine and spirits). Each of the 7 types of licenses has a class associated with it. During the October 1, 2013, through June 30, 2014, ABRA processed 13,533 transactions valued at about \$4.3 million.

Sample Results. We selected a statistical sample³ of 95 transactions (out of 13,533 processed transactions during the audit period). We requested ABRA to provide the supporting documentation for these 95 transactions. ABRA provided the documentation for 88 of the transactions. The Operations Manager of the Administrative Division, who is responsible for the reconciliation of the daily batches, informed us that she was on leave when the 7 missing transactions were processed and her back-up did not properly file the documentation. ABRA subsequently provided the documentation for 6 of the 7 transactions. However, sound business practices should ensure that agency operations would continue seamlessly, with the resources available, even if the primary official is not on duty, and all established procedures would be followed. ABRA needs to establish procedures to ensure back-up personnel are aware of, and follow existing procedures.

We found no issues with the 94 transactions for which the supporting documentation was provided. All amounts posted to iNovah agreed with the supporting documentation, and all charges were posted to the correct allocation(s). ABRA uses the ABRA license number as the

³ The statistical sample criteria were: confidence level 95%, materiality level 5%, and auditor's expectation of error 1%.

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account number, which allows for effective use of the iNovah query and audit capabilities when reviewing past transactions. However, transactions involving import fees and alcohol tax are made by distributors that do not have an ABRA license and the distributors' name is used as the account number. We noted instances with these transactions where variations of the name were used when the transaction was posted. ABRA needs to establish procedure that will insure the same name is used each time a distributor makes an import fee and alcohol tax transaction.

Voided Transactions. During the 9-month period October 1, 2013, through June 30, 2014, ABRA voided 68 transactions valued at about \$37,000. We randomly selected a non-statistical sample of 10 voided transactions, and tested whether each void had a valid reason, and whether a correcting entry, if necessary, was properly posted to iNovah. For these 10 voided transactions, we were able to trace and verify that the void was valid. However, we noted that the reasons provided to explain why the transaction was voided did not contain enough information to clearly justify the void. We then scanned the reasons given for voiding all 68 transactions and found that, for over 30 of the 68 transactions, the reason provided was "*wrong amount*" or "*wrong bill*," with no additional information. One of the 10 voided transactions we initially reviewed in detail was a transaction on April 18, 2014, for \$2,730.00. The transaction was voided with the reason "wrong bill." No additional information was provided. We used the iNovah payment query for that account number and found that the \$2,730.00 had been paid on April 8, 2014. The reason should have stated that the bill was paid on April 8, 2014, and referenced by Receipt #01454611. This would provide a clear audit trail supporting the void. Only two of the 68 transactions voided during the 9-month period contained enough detail to adequately support the voided transaction.

Standard Operating Procedures. ABRA's guidance for cashiering operation, "Standard Operating Procedures (SOP) for the Collection and Depositing of Monies," dated March 17, 2009, needs to be updated. The SOP was written when ABRA was located at 941 North Capital Street, where there was an OFT Cashier Office on the first floor. The SOP still contains procedures that are no longer in practice. The SOP does not address the policy for voiding transactions, which is probably the area that has the highest risk of fraud, waste and abuse. Additionally, the 2009 SOP did not address the procedures for filing supporting documentation, or the procedures for check retention and shredding after 30 days.

UNUSED ALLOCATION CODES

The iNovah software is programmed with allocation codes the cashiers can access through a drop down box. OFT is responsible for updating the database of allocation codes based on input from the using agency. OFT can deactivate accounts that are no longer needed, which will reduce the number of allocations that appear in the dropdown box, thereby reducing the number of allocations the cashier needs to scroll to get to allocation needed for the transaction.

FINDING AND RECOMMENDATIONS

The DCTC had 58 allocation codes assigned to it. During the period October 1, 2013, through June 30, 2014, the DCTC used only 16 of 58 allocation codes. Of the remaining 42 codes, 8 had no action in the past 5 years.

ABRA had 19 allocation codes assigned and only 5 were used during the period October 1, 2013, through June 30 2014. Of the remaining 14 allocation codes, 10 had not been used in the past 5 years.

The DCTC and ABRA should identify the allocation codes required for conducting business operations and coordinate through EDRC to have OFT deactivate the unneeded codes. In addition, OFT should monitor and coordinate the allocation code process with all iNovah users across the District. Retaining unneeded allocation codes can increase the potential for erroneously posting a transaction to a wrong account and to avoid errors or hidden transactions.

RECOMMENDATIONS, MANAGEMENT RESPONSES AND OIO COMMENTS

We recommend the Deputy Chief Financial Officer and Treasurer, OFT:

1. Reinforce to all iNovah users the importance of using a uniform, standardized method for establishing unique account numbers for full transparency without diminishing the iNovah querying capabilities when reviewing and researching past transactions.
2. Periodically monitor and coordinate with all iNovah users in identifying relevant allocation codes in use and deactivate those that are no longer needed.
3. Reinforce to all iNovah users the importance of providing valid and documented detailed reasons for voiding a transaction, and to include identifying the correcting transaction, if needed.

Management Response (Recommendation 1)

OFT concurred with the recommendation and stated the Revenue Collections Unit (RCU) will visit each iNovah site to observe the process and make recommendations for establishing unique account identification numbers. The RCU will also establish specific policies and procedures in the OFT cashiering manual to address unique account identification numbers and usage of required fields in iNovah.

OIO Comment

OFT's corrective actions are responsive to the recommendation.

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Management Response (Recommendation 2)

OFT concurred with the recommendation and stated that the RCU will annually send a list of active iNovah codes to OFCO agency management for verification of codes that should remain active for the new fiscal year.

OIO Comment

OFT's corrective actions are responsive to the recommendation.

Management Response (Recommendation 3)

OFT concurred with the recommendation, and stated that RCU will draft policies for voiding transactions to include detailed documentation of the reason for the void and requiring the site manager to approve and maintain the supporting documentation.

OIO Comment

OFT's corrective actions are responsive to the recommendation.

We recommend the Interim Chairman, District of Columbia Taxicab Commission (DCTC); and the Director, Alcoholic Beverage Regulation Administration (ABRA):

4. Ensure cashiers provide a complete description of the reason and maintain evidence for a voided transaction, and to include identifying the correcting transaction, if one was required. Also, require supervisors, before approving a voided transaction in iNovah, to review and approve the supporting documentation for voiding the transaction to ensure transparency and validity for the void.
5. Identify iNovah allocation codes that are no longer used and request EDRC to have OFT deactivate the unneeded codes.
6. Develop or update the Standard Operating Procedures (SOP) for the cashiering operations that details the specific duties and responsibilities of cashiers, supervisory cashiers, and supervisors, including procedures and related controls for documenting voids and correcting entries.
7. Organize and maintain supporting documentation in a systematic, some chronological or alphabetical order, so that the documentation can be easily retrieved for examination and review. If past transactions need to be reviewed, ensure that everyone (primary and back-up personnel) are aware of and follow approved procedures so that documents can be readily obtained if required.

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Management Response (Recommendation 4)

The Interim Chairman, DCTC; and the Director, ABRA concurred with the recommendation. Both ABRA and DCTC stated that their cashiers will receive additional training from OFT that will specifically address voiding transactions. DCTC added that the Driver Services Manager will be responsible for reviewing each voided transaction to ensure it was properly processed. ABRA stated that its revised Standard Operating Procedures will specifically address procedures to be followed by its cashiers and supervisors when voiding a transaction.

OIO Comment

DCTC and ABRA corrective actions are responsive to the recommendation.

Management Response (Recommendation 5)

ABRA and DCTC concurred with the recommendation. The DCTC stated it identified 20 iNovah codes that needed to be deactivated and sent OFT a request on April 9, 2015, to deactivate those codes. ABRA identified 8 codes and stated EDRC sent a request to OFT to have the codes deactivated. ABRA also requested OFT to give its "ABRA Office" access to only the 6 revenue allocations used for daily business. Both agencies stated the codes will be reviewed annually to determine if any changes should be made to the active codes.

OIO Comment

ABRA and DCTC corrective actions are responsive to the recommendation.

Management Response (Recommendation 6)

ABRA and DCTC concurred with the recommendation. ABRA stated it is in process of updating its SOP with an anticipated completion date of June 1, 2015. The DCTC did not have an SOP on cashiering and stated that the Operations Manager and the Driver Services Manager will develop an SOP detailing specific duties and responsibilities of cashiers, supervisory cashiers, and supervisors. The SOP is planned for completion by June 30, 2015.

OIO Comment

ABRA and DCTC corrective actions are responsive to the recommendation.

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Management Response (Recommendation 7)

DCTC and ABRA concurred with the recommendation. DCTC stated that a document management contractor has completely organized the files in alphabetical order so that all files can now be quickly retrieved. In addition DCTC is in discussions with a document storage contractor to implement an electronic document storage system. It is anticipated that before the end of the fiscal year a new system will be decided upon. ABRA stated the updated SOP will address procedures for organizing, maintaining and retrieving supporting documentation.

OIO Comment

The ABRA and DCTC corrective actions are responsive to the recommendation.

We recommend the Director, Alcoholic Beverage Regulation Administration (ABRA):

8. Establish a system for creating account numbers for transactions made by customers that do not have an ABRA license number such as distributors paying the import fee and alcohol tax.

Management Response (Recommendation 8)

ABRA concurred with the recommendation and stated the updated SOPs will address procedures for creating account numbers for these transactions.

OIO Comment

ABRA corrective action is responsive to the recommendation.

We recommend the Interim Chairman, District of Columbia Taxicab Commission (DCTC):

9. Establish a uniform system for creating single account identification number and to ensure that all cashiers use the system implemented by the DCTC. For driver transactions consider using only the drivers' taxi or limo license number, and for those transactions processed before the license is issued consider using last name and the last 4 of the social security number. Alternatively, develop and put a system in place that will prevent errors, irregularities, or fraud.
10. Reinforce to DCTC staff the significance of charging the correct license and late fees and task supervisors to randomly monitor transactions for correctness, accuracy, and transparency.
11. Establish a document archive date (10 years for example) and remove any document older than that date from the active files and put those document into archive storage or

FINDING AND RECOMMENDATIONS

convert them to electronic storage so as to prevent a future document filing problem from reoccurring.

Management Response (Recommendation 9)

The Interim Chairman, DCTC, concurred with the recommendation and stated for license renewal the Face ID Card number (the license number) is used and it is a unique number to a driver. For new applicants who do not have a Face ID number, the individuals will be identified by last name, first name, and last four digits of the social security number until a Face ID number is issued. These procedures will be incorporated into the SOP and occasional audits will be conducted by supervisors to ensure compliance.

OIO Comment

These procedures will meet the intent of the recommendation provided only the 5-digit Face ID number is used and no description is added to the account number.

Management Response (Recommendation 10)

DCTC concurred with the recommendation and stated that this condition will be corrected with stringent oversight and supervisory involvement. DCTC with the assistance of the Revenue Collection Unit is planning to have its cashiers retrained. In addition, new Standard Operating Procedures will be created for cashiering operations. The Driver Services Manager will be responsible for oversight of transaction processing. Through retraining and supervisory oversight this condition can be corrected and future mistakes eliminated. DCTC also stated that repeated violations of this type will warrant stern review and may require further disciplinary action.

OIO Comment

DCTC corrective action is responsive to the recommendation.

Management Response (Recommendation 11)

The DCTC concurred with the recommendation and stated that most documents related to driver services must be kept for four years, after which time they can be purged and stored. Additionally, as stated in the response to recommendation 7, DCTC is currently working with a document management firm to develop a solution to the document storage and retrieval.

OIO Comment

DCTC corrective action is responsive to the recommendation.

EXHIBIT A: SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDIT

Recommendation	Potential Benefit	Type of Benefit	Agency Reported Completion Date	Status ⁴
1	Reinforce to all iNovah users the importance of using a uniform, standardized method for establishing unique account numbers for full transparency without diminishing the iNovah querying capabilities when reviewing and researching past transactions.	Internal Control	Ongoing	Open
2	Periodically monitor and coordinate with all iNovah users in identifying relevant allocation codes in use and deactivate those that are no longer needed.	Efficiency/ Internal Control	Performed Annually	Open
3	Reinforce to all iNovah users the importance of providing valid and documented detailed reasons for voiding a transaction, and to include identifying the correcting transaction, if needed.	Internal Control	Ongoing	Open
4	Ensure cashiers provide a complete description of the reason and maintain evidence for a voided transaction, and to include identifying the correcting transaction, if one was required. Also, require supervisors, before approving a voided transaction in iNovah, to review and approve the supporting documentation for voiding the transaction to ensure transparency and validity for the void.	Internal Control	ABRA projected completion date June 1, 2015 DCTC ongoing	Open
5	Identify iNovah allocation codes that are no longer used and request EDRC to have OFT deactivates the unneeded codes.	Efficiency/ Internal Control	April 17, 2015	Closed

⁴ This column provides the status of the recommendation as of the report date. For final reports “Open” means management and OIO are in agreement on the action to be taken, but the action is not complete. “Closed” means that management advised OIO that they took the action needed to correct the condition and that action is complete. If a completion date was not provided the date of management’s response was used. “Unresolved” means that management has neither agreed to the recommended action nor proposed a satisfactory alternative action to correct the condition.

EXHIBIT A: SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDIT

Recommendation	Potential Benefit	Type of Benefit	Agency Reported Completion Date	Status
6	Develop or update the Standard Operating Procedures (SOP) for the cashiering operations that details the specific duties and responsibilities of cashiers, supervisory cashiers, and supervisors, including procedures and related controls for documenting voids and correcting entries.	Internal Control	ABRA completion date June 1, 2015 DCTC completion date June 30, 2015	Open
7	Organize and maintain supporting documentation in a systematic, some chronological or alphabetical order so that the documentation can be easily retrieved for examination and review. If past transactions need to be reviewed, ensure that everyone (primary and back-up personnel) are aware of and follow approved procedures so that documents can be readily obtained if required.	Internal Control	ABRA completion date June 1, 2015 DCTC completion FY 2016	Open
8	Establish a system for creating account numbers for transactions made by customers that do not have an ABRA license number such as distributors paying the import fee and alcohol tax.	Internal Control	ABRA completion date June 1, 2015	Open
9	Establish a uniform system for creating single account identification number and to ensure that all cashiers use the system implemented by the DCTC. For driver transactions consider using only the drivers' taxi or limo license number, and for those transactions processed before the license is issued consider using last name and the last 4 of the social security number. Alternatively, develop and put a system in place that will prevent errors, irregularities, or fraud.	Efficiency / Internal Control	Ongoing	Open

EXHIBIT A: SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDIT

Recommendation	Potential Benefit	Type of Benefit	Agency Reported Completion Date	Status
10	Reinforce to DCTC staff the significance of charging the correct license and late fees and task supervisors to randomly monitor transactions for correctness, accuracy, and transparency.	Economy	Ongoing	Open
11	Establish a document archive date (10 years for example) and remove any document older than that date from the active files and put those document into archive storage or convert them to electronic storage so as to prevent a future document filing problem from reoccurring.	Efficiency /Economy	DCTC projected completion FY 2016	Open

APPENDIX 1: OFT MANAGEMENT'S RESPONSE

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



Office of Finance and Treasury

MEMORANDUM

TO: Timothy Barry, Executive Director,
Office of Integrity and Oversight (OIO)

FROM: Clarice Wood, Associate Treasurer,
Office of Finance and Treasury (OFT) 

DATE: April 10, 2015

SUBJECT: Office of Finance and Treasury's Audit Response to Draft Report
For Audit of Internal Controls over Cash Collection process at selected Non-
OCFO Agencies – **Report No. 14-01-12 OFT**

This memo is in response to the OIO Draft Report of Audit Findings and Recommendations for the OCFO (OFT) Audit Response to Draft Report for Audit of Internal Controls over Cash Collection Process at selected Non-OCFO Agencies covering the period of October 30, 2013 thru June 30, 2014. The audit draft report is dated March 27, 2015. Below please find the recommendations and responses for OFT.

Recommendation 1: Use of Uniform and Unique Identifiers in iNovah
--

Reinforce to all iNovah users the importance of using a uniform, standardized method for establishing unique account numbers for full transparency without diminishing the iNovah querying capabilities when reviewing and researching past transactions.

OFT Response:

The Revenue Collections Unit (RCU) within OFT has responsibility for the iNovah cashiering system. RCU management will visit each iNovah site to learn their processes to recommend the best unique identifier for each transaction type processed through iNovah. From there, RCU will recommend incorporating the use of the unique identifier into the agency's desk procedures and assist with training users. OFT will follow-up and track the use of the required identifier to ensure its consistent use.

RCU will also establish a specific policy and procedure within the OFT cashiering manual to give guidance on the selection of unique identifiers and usage of required fields in the iNovah Cashiering System.

APPENDIX 1: OFT MANAGEMENT'S RESPONSE

Recommendation 2: Allocation Code Reviews

Periodically monitor and coordinate with iNovah users to identify relevant allocation codes in use and deactivate those that are no longer needed.

OFT Response:

The Revenue Collections Unit along with the OFT Accounting Unit will annually send a list of active allocations codes from the iNovah database to respective OCFO agency management. Agency management will be expected to confirm the allocation codes for the new fiscal year that should remain active and/or deactivated. The OFT Accounting Unit will also add or deactivate allocation codes, as needed, if requested by email from the OCFO clusters.

Recommendation 3: Voiding Transactions in iNovah

Reinforce to all iNovah users the importance of providing valid and documented detailed reasons for voiding a transaction, and to include identifying the correcting transaction, if needed.

OFT Response:

The Revenue Collections Unit will draft policies and procedures on voiding transactions in iNovah. The policy will include the appropriate reasons for performing a void and all required supporting documentation. Supporting documentation must be signed by the site manager and maintained in an orderly fashion for future audit purposes.

cc: Jeffrey Barnette
Donna McKenzie

APPENDIX 2: DCTC MANAGEMENT'S RESPONSE



GOVERNMENT OF THE DISTRICT OF COLUMBIA
TAXICAB COMMISSION
2235 SHANNON PLACE, S.E., SUITE 204
WASHINGTON, D. C. 20020
(202) 645-6018

OFFICE OF THE CHAIRMAN
Eric Rogers, Interim Chairman

April 17, 2015

Jeffrey Barnette, Deputy Chief Financial Officer and Treasurer
Office of finance and Treasury
1101 4th Street SW, Suite 850W
Washington DC 20024

Timothy Barry, Executive Director
Office of Integrity and Oversight
1101 4th Street SW, Suite 850W
Washington DC 20024

Dear Messrs. Barnette and Barry,

DCTC received the draft report of the Audit of Internal Controls over the Cash Collections Process at Non-OCFO Agencies. DCTC recognizes the importance of complying with applicable laws and regulations regarding cashiering operations and the need to practice effective internal controls to safeguard the District's assets from fraud, waste, and abuse. I want to personally thank you for identifying internal control weaknesses and allowing us an opportunity to make corrections and improve as an agency.

Listed below are the report's recommendations and the action(s) DCTC has already taken or will undertake to correct or remedy the situation.

- 4. Ensure cashiers provide a complete description of the reason and maintain evidence for a voided transaction, and to include identifying the correcting transaction, if one was required. Also, require supervisors, before approving a voided transaction in iNovah, to review and approve the supporting documentation for voiding the transaction to ensure transparency and validity for the void.
- At present, iNovah presents a drop down list of options to select from when determining why a transaction is being voided. It is certainly the responsibility of the cashier to select and enter the appropriate reason for a void. Additionally, the supervisor should approve the voided transaction at the time the need to void a transaction is determined. Cashiers

APPENDIX 2: DCTC MANAGEMENT'S RESPONSE

have been reminded of the importance of this and identifying the transaction number of the correcting void entry. I have been assured by the Revenue Collection Manager that training can and will be provided to the DCTC Driver Services staff as soon as practical. It was not found that there was any apparent attempt to be less than truthful when entering transactions. Staff must take their time and stay focused. Driver Services Manager Linda Roberts will be responsible for checking each voided transaction to ensure proper entries are made. Ms. Roberts will also coordinate the training for the Driver Services staff.

- 5. Identify iNovah allocation codes that are no longer used and request EDRC to have OFT deactivate the unneeded codes.
- ✚ **Response from the Office of the Chief Financial Officer (OCFO) Taxicab Commission:** The OCFO Economic Development and Regulation Cluster (EDRC) spoke with the Taxicab Commission's Administrative Officer to review the current iNovah allocation codes and determined which codes were no longer needed. Based on the review, it was determined that twenty (20) iNovah allocation codes needed to be deactivated. The OCFO EDRC team sent a request for iNovah code deactivation to the Office of Finance and Treasury (OFO). OFT processed the request on April 9, 2015. At the beginning of each fiscal year OFT will continue to send the iNovah Allocation codes for review by OCFO-EDRC to determine if any changes should be made to the current listing.
- 6. Develop or update the Standard Operating Procedures (SOP) for the cashiering operations that details the specific duties and responsibilities of cashiers, supervisory cashiers, and supervisors, including procedures and related controls for documenting voids and correcting entries.
- ✚ All Driver Services Staff received initial cashiering training on the iNovah Cashiering System from the OFT Revenue Collection Manager. DCTC does not have separate Standard Operating Procedures (SOP) for the cashiering operations. The Chief Administrative Officer, Sharon McInnis, and the Driver Services Manager, Linda Roberts, will develop DCTC SOP's that will detail the specific duties and responsibilities of cashiers, supervisory cashiers, and supervisors, including procedures and related controls for documenting voids and correcting entries. Effective immediately, Ms. Roberts will review each void at the time the need for a void is determined to ensure it is being properly documented. Beginning the week of May 3, 2015, Ms. McInnis and Ms. Roberts will meet weekly until the SOP's have been completed. It is anticipated that the manual will be complete by June 30, 2015.
- 7. Organize and maintain supporting documentation in a systematic, some chronological or alphabetical order so that the documentation can be easily retrieved for examination and review. If past transactions need to be reviewed, ensure that everyone (primary and back-up personnel) are aware of and follow approved procedures so that documents can be readily obtained if required.
- ✚ DCTC moved to new office space on December 20, 2014. Prior to the move, a document management service was contracted to label folders, alphabetize all folders, and file them

APPENDIX 2: DCTC MANAGEMENT'S RESPONSE

away. At present, all files have been transferred to the new filing storage system in proper alphabetical order. Any paperwork associated with a driver or company should be filed in the appropriately labeled folder. Additionally, DCTC is in discussion with OnBase Document Management to create a state-of-the-art document management system that would be all inclusive of paper files and internal electronic systems. There is a meeting scheduled for April 29, 2015, at which time a preliminary demonstration of how the document management system would fit into the DCTC workflow, will be conducted. It is anticipated that before the end of the fiscal year a new system will be decided upon. Chief Operations Officer, John Scott will spearhead this project.

- 9. Establish a uniform system for creating single account identification number and to ensure that all cashiers use the system implemented by the DCTC. For driver transactions consider using only the drivers' taxi or limo license number, and for those transactions processed before the license is issued consider using the last name and the last 4 of the social security number. Alternatively, develop and put a system in place that will prevent errors, irregularities, or fraud.
 - ↓ When current drivers are renewing their applications, their Face Id Card number is used. This number is unique to each driver. However, it does appear that when new drivers applied, there were many combinations used to identify them. That has been corrected. New drivers will now be identified by their last name, first name and the last four of their social security number, until a Face ID card number is issued. DCTC will create a standardized method of identifying each transaction. This method will be used by each cashier. These procedures will be incorporated into the SOP's. Occasional, informal audits by the supervisor will ensure equal compliance. Linda Roberts, Driver Services Manager will be responsible for ensuring this occurs, effective immediately.
- 10. Reinforce to DCTC staff the significance of charging the correct license and late fees and task supervisors to randomly monitor transactions for correctness, accuracy, and transparency.
 - ↓ Inaccurately posted transactions are disturbing. It is very difficult to find a rational reason for this to occur. There were some instances where the applicant was not charged enough and there were some instances where the applicant was charged too much. This type of inconsistency is wholly unacceptable. It would appear these transactions occurred over a period of time and not all by the same cashier. That, still, is of little comfort. One would have to assume that either the cashier(s) were very distracted and not careful, or there was some willful intent to be dishonest. Either scenario has to be corrected with stringent oversight and supervisory involvement. As I mentioned previously, DCTC is seeking to have the cashiers re-trained with the assistance of the Revenue Collections Manager. In addition, new Standard Operating Procedures will be created to reflect iNovah training as it currently exists. Recent new employees have received this training, but it is obvious all Driver Services staff could benefit from a refresher course in proper cashiering procedure. Driver Services Manager Linda Roberts will ensure transactions are properly coded. Through appropriate re-training and onsite monitoring, this behavior

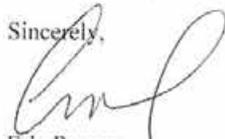
APPENDIX 2: DCTC MANAGEMENT'S RESPONSE

can be corrected and future such mistakes eliminated. Repeated violation of this type will warrant a stern review and may require further disciplinary action.

- 11. Establish a document archive date (10 years for example) and remove any document older than that date from the active files put those document into archive storage or convert them to electronic storage as to prevent a future document filing problem from reoccurring.
- DCTC does have a Retention Schedule that delineates retention and disposal times for documents. Generally most documents related to Driver Services must be kept in file for 4 years. After that they can be purged and stored. As stated previously, DCTC is working with a document management firm to look at a solution to document storage and retrieval. There is an April 29, 2015 meeting scheduled in relation to this. John Scott, Chief Operation Officer will spearhead this project.

I would like to thank you for bringing these most important discrepancies to my attention. The items outlined in this report will be addressed and corrected as indicated. During the course of changes at an agency, priorities change and some things don't get the attention they deserve. That is why an audit such as this, is vital to the efficiency and integrity of an agency. I welcome the opportunity to set things right.

Sincerely,



Eric Rogers
Interim Chairman
DC Taxicab Commission

APPENDIX 3: ABRA MANAGEMENT'S RESPONSE

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Alcoholic Beverage Regulation Administration



April 15, 2015

Timothy Barry, Executive Director
Office of Integrity and Oversight
1100 4th Street, S.W., Suite 750
Washington, D.C. 20024

RE: OIO Code No. 14-01-12-OFT

Dear Executive Director Barry,

This letter is in response to your report entitled, "Audit Internal Controls Over the Cash Collection Process at Selected Non-OCFO Agencies". The Alcoholic Beverage Regulation Administration (ABRA) appreciates the opportunity to comment on this detailed report. ABRA's comments to the report's recommendations that relate to ABRA are as follows:

1. Ensure cashiers provide a complete description of the reason and maintain evidence for a voided transaction, and to include identifying the corrected transaction, if one was required. Also require supervisors, before approving a voided transaction in iNovah, to review and approve the supporting documentation for voiding the transaction to ensure transparency and validity for the void.

Response: ABRA, in coordination with the OCFO, intends to retrain all ABRA cashiers and supervisors by Monday, June 1, 2015 regarding the expected process for voiding or reviewing and approving a voided transaction in iNovah. ABRA will also issue by Monday, June 1, 2015 updated Standard Operating Procedures for its cashiering operations that will cover (1) the process that an ABRA cashier must follow to void a transaction in iNovah and (2) the process that the ABRA supervisor must follow prior to approving a voided transaction in iNovah.

2. Identify iNovah allocation codes that are no longer used and request EDRC to have OFT deactivate the unneeded codes.

Response: The Alcoholic Beverage Regulation Administration (ABRA) has 19 active iNovah Allocations, of which one allocation is for the Office of Tax and Revenue

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www.abra.dc.gov

APPENDIX 3: ABRA MANAGEMENT'S RESPONSE

Alcohol Tax. iNovah code 5509 is used by the OFT Cashiers to record a reduction of expenditures for overtime in relation to Special Events.

The Office of the Chief Financial Officer – Economic Development and Regulation Cluster (EDRC) is working with the Office of Finance and Treasury (OFT) to have only the allocations specific to revenue collections accessible to the ABRA "Cashiers". Any expenditure allocations will only be accessible through the SSC Office (Shared Service Center) for EDRC to record a reduction of expenditures and/or the OFT Cashiers/DCRA Office. For example, employee reimbursements for travel related expenditures are deposited by SSC. ABRA had minimal travel during FY 2013 and FY 2014; however, the codes should remain active for future use.

EDRC has reviewed all allocations and determined that 8 codes can be deactivated by OFT. OCFO-EDRC has sent the e-mail to OFT requesting the deactivation of the codes. Additionally, we have requested that the 'ABRA Office' have access to only 6 revenue allocations, one of which is for OTR – Alcohol Tax.

At the beginning of each fiscal year OFT will continue to send the iNovah Allocation codes for review by OCFO-EDRC to determine if any changes should be made to the current listing.

3. ABRA update its existing Standard Operating Procedures (SOP) for the cashiering operations that detail the specific duties and responsibilities of cashiers, supervisory cashiers, and supervisors, including procedures and related controls for documenting voids and corrected entries.

ABRA intends to implement this recommendation. ABRA's Standard Operating Procedures for cashiering operations are being reviewed and updated in collaboration with the OFCO. ABRA will send your Office its updated Standard Operating Procedures for its cashiering operations by Monday, June 1, 2015.

4. Organize and maintain supporting documentation in a systematic order so that the documentation can be easily retrieved or reviewed.

Response: ABRA agrees with this recommendation. ABRA's updated Standard Operating Procedures will include the agency's process for organizing, maintaining and retrieving supporting documentation.

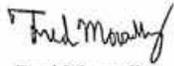
5. Establish a system for creating account numbers for transactions made by customers that do not have an ABRA license number such as distributors paying the import fee and alcohol tax.

Response: ABRA agrees with this recommendation. ABRA's updated Standard Operating Procedures will include the system to be utilized by ABRA cashiers for these transactions.

APPENDIX 3: ABRA MANAGEMENT'S RESPONSE

Please let me know should you need additional information from ABRA.

Sincerely,



Fred Moosally
Director, ABRA