
Review of the

DC Office of Tax and Revenue

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❖ MISSION OF OTR

- Customer service must come first
- District's revenue stream must be protected and enhanced
- Financial integrity and accountability must be incorporated into tax administration

❖ ORGANIZATION OF OTR

- Led by a Deputy Chief Financial Officer
- Organized functionally with directors of functional units reporting to the Deputy CFO
- 481 authorized positions in FY13
- \$59.4 million budget in FY13
- Support functions of IT, personnel, training and procurement performed by organizations reporting directly to CFO – not Deputy CFO OTR

❖ RECOMMENDATIONS

- Management of agency has made substantial progress in correcting issues brought to light in 2007 with Harriet Walters scandal
- New Deputy CFO brought in from outside agency
- Controls established to prevent future fraud
- Agency took steps to model itself after other successful state tax agencies
- Nine issues should be addressed to make agency more successful

1 CONTINUE TO WORK TO OBTAIN NEW INTEGRATED TAX SYSTEM (ITS)

- Current ITS system installed in 1991 and never fully implemented
- Current system requires manual intervention which is inefficient and time consuming
- Often leads to inaccurate information in system
- Many standard reports not easily available for management purposes
- Problems with ITS contribute to public's impression that OTR does not handle matters correctly

NEW ITS (CONT'D)

- OTR does not have available many of the online services for taxpayers that other tax agencies utilize
- Lack of online choices impacts volume of telephone calls to call centers, volume of correspondence and emails received, number of payments received at OTR for processing and volume of taxpayers who visit the office
- These increased volumes use valuable OTR resources which could be redirected if taxpayers could utilize more online services
- More online services provide flexibility for taxpayers and a resultant reduction in delay in response by OTR for those taxpayers who need to call or write

NEW ITS (CONT'D)

- New system should correct these issues when fully implemented
- RFP has been issued, bids received and proposals are being evaluated

- **Recommend:** OTR proceed with project and Mayor and City Council provide funding to OCFO to fully implement
- **Caveat:** Full implementation will take 2-4 years; will require full-time commitment from a number of OCFO's existing IT and OTR staff
- **Recommend:** Resources be provided to OCFO to supplement existing staff to enable core mission of agency to continue while subject matter experts are engaged in implementation

2 CONTINUE WORK TO OBTAIN AND IMPLEMENT A NEW PHONE SYSTEM

- Current phone system utilized in call centers is outdated
 - New phone system would also include new Interactive Voice Response (IVR) which provides taxpayers with information on their accounts 24/7, potentially reducing calls requiring direct agency personnel interaction
 - New phone system would provide more flexibility in call centers to create work queues
 - New phone system could provide flexibility, in conjunction with additional software, to permit employees in call centers to telework
- **Recommend:** Urge OCFO to continue work to implement the new phone system and install features that will enhance both the taxpayer and employee experience

3 RE-EVALUATE ADJUSTMENT/REFUND REVIEW PROCESS

- Adjustment/refund review process has redundant reviews
 - Controls instituted after 2007 fraud scandal
 - Appears that controls are burdensome and hamper efficient work of agency
- **Recommend:** While these reviews will be more automated with a new ITS, I would urge a review of the current controls to determine if the multiple levels of review can be reduced for at least a portion of the refund population before ITS is implemented

4 SEPARATION OF DUTIES FOR ADJUSTMENTS

- Recent audit of OTR noted a need for separation of duties for adjustments
 - OTR has implemented recommendation, but has done so within each area that is authorized to request adjustments
 - Management voiced concerns about the administrative burden placed on each functional area
- **Recommend:** Urge OTR to review current organization of this function to determine if more efficient to create one unit to perform adjustments requested throughout the agency and implement controls within that unit

5 ENHANCE SUPPORT FUNCTIONS

- Information Technology, Personnel, Training and Procurement are support functions for OTR and report to OCFO
- The Office of the Chief Information Officer (OCIO) strives to deliver innovative, cost-effective and secure IT solutions for OTR but resources are strained
- Many IT projects of OTR would enhance efficiency of agency and provide better service to taxpayers and additional revenue to the District
- Projects are not being completed because of lack of resources in OCIO

SUPPORT FUNCTIONS (CONT'D)

- Natural tension between OTR management and Personnel Services appears to be greater than the norm
 - Example is minimum qualifications requirement for entry level tax auditor
 - Strong belief in OTR that requirements are too stringent and prevent OTR from filling vacancies in a timely manner
- **Recommend:** OCFO look for ways to enhance the ability of the support services to serve OTR

6 EMPLOYEE MORALE

- Management believes employee morale is an issue
 - 2007 fraud scandal and various newspaper articles since then have contributed to low morale
 - Hiring of top management from outside the agency has also contributed to low morale because employees do not see a career path
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- **Recommend:** OTR create a Leadership Development Program to identify future leaders of OTR and provide them with training
 - Several state tax agencies have developed such programs that can be shared with OTR

7 ENHANCE TAXPAYER INFORMATION ON WEBSITE AND OUTREACH TO PUBLIC

- Review of agency's website indicates that additional information could be provided to taxpayers and practitioners

- **Recommend:** OTR request additional resources, both personnel and technical, to enhance website material with goal of increasing voluntary compliance

- **Recommend:** Review of existing outreach programs to constituent groups to determine if there are additional resources that would enhance educational opportunities to taxpayers

8 LOCKBOX REQUIREMENTS

- Current lockbox requirements for some taxes create delays in processing documents and payments
 - Because of the need for manual intervention for some payments processed through the lockbox, there is the potential for misapplication of payments for some taxpayers
- **Recommend:** Urge City Council review the bond provisions that contain these requirements and change them, if possible

9 EXPLORE ESTABLISHING NEW LEVEL OF APPEAL FOR REAL PROPERTY ASSESSMENTS

- Current system provides third level of appeal to DC Superior Court
 - Substantial backlog of cases awaiting hearing and resolution at this level
 - Taxpayers must pay assessment to appeal at this level
 - Pressure on DC government to settle cases
- **Recommend:** Explore feasibility of establishing a new appeal level with judges who have real property assessment background with goal of expediting the resolution of these matters