

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

Office of Integrity and Oversight



MEMORANDUM

TO: Stephen M. Cordj, Deputy CFO  
Office of Tax and Revenue

FROM: Robert G. Andary, Executive Director  
Integrity and Oversight

DATE: August 17, 2009

SUBJECT: Management Alert: Temporary Accounts with Credit Balances in the Integrated Tax System Require Research *and Disposition*

The Office of Integrity and Oversight (OIO) is tasked with ensuring that the Office of Tax and Revenue (OTR) has implemented recommended corrective actions to resolve all findings identified in the FY08 Yellow Book Report, issued by BDO Seidman on January 30, 2009. The purpose of this alert is to inform you of a potential issue we have identified as it relates to temporary identification (Temp ID) accounts in the Integrated Tax System (ITS). Temp ID accounts were created at the inception of ITS to serve as a temporary mechanism for payments and returns that could not be posted directly to a taxpayer account, due to the absence of the prescribed EIN, SSN, or other identifying information.

In a finding identified in the Yellow Book report, as well as noted in an OIO report, dated June 5, 2008, the Office of Tax and Revenue was cited for using unidentified taxpayer accounts to record tax returns and payments received, which contain inadequate identifying information. BDO stated that the use of unidentified taxpayer accounts can result in erroneous tax bills, incorrect application of taxpayer payments, and create an opportunity for the generation of potentially fraudulent refunds.

With respect to the finding cited, OTR developed an action plan to remediate the issues noted by BDO and OIO. As part of the action plan, OTR is working on removing all converted remittances from accounts that have no other activity. OIO specifically reviewed Temp ID accounts with credit balances to determine whether the credit balances in these accounts would be resolved with the implementation of this mass removal of all converted remittances (OTR's Action Step 1.4).

Temp ID accounts with the transaction type converted remittances are included in the converted remittance removal listing scheduled to occur by September 30, 2009; however, we note that there are 84 Temp ID's representing 132 account periods totaling \$208,025, that have a credit balance that *will not be* impacted by this mass removal of converted remittances. The credits in these accounts relate to the following transaction types:

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- Period payments
- Declaration w/ payment
- Extension w/ payment
- Over Credit Received
- Original w/ payment
- Payment w/ amend
- Credit Received

The credits provide the opportunity for an employee, with the proper access rights, to transfer a payment to an account to reduce liability or create a fraudulent refund.

**Use of a Temp ID as a Dummy Account**

In the Yellow Book report, BDO recommended that OTR locate all dummy accounts in ITS. In our review of the agency corrective action plan, OIO noted no effort by OTR to locate *all* dummy accounts in ITS besides those accounts that contain converted remits. In our review of Temp ID's with credit balances, we did find one temp ID account with a credit in the December 1998 account period that appears to be a 'dummy' account. The credit was caused by an "over credit received" meaning the credit was transferred from another account. The name on the account is Jack Hill and the profile lists the OTR address. Upon review of the ITS notes, an RPA employee noted that the credit in this account period was a 'bad credit' from BTIS (the legacy tax system) and that it should not be refunded. However, in 2007, an employee used a portion of the credit in two instances to resolve a 2007 account balance in the taxpayer's account from which the "bad credit" was transferred originally. There were no notes provided to explain this activity.

OIO recommends the following actions from OTR:

1. Continue to work on the actions in place related to unidentified taxpayer accounts that are due for completion at September 30, 2009;
2. Review the attached schedule of temporary ID accounts that contain credits that will not be impacted by the converted remit removal program *in order* to determine the disposition of these credits; and
3. Determine a way to identify all unidentified accounts within ITS and review the activities in the accounts and make disposition accordingly.

OIO would like a response to our office no later than September 30, 2009. Should you have any questions regarding the issues noted, contact Tisha Edwards, audit manager, at 478-9143, or Mohamad Yusuff, Internal Audit Director at 442-8240.

**Attachments**

cc: Glen Groff, Director of Operations, OTR  
Bert Molina, Director, Revenue Accounting, OTR  
Mohamad K. Yusuff, Director, OIO  
Nelson Alli, Senior Manager, OIO  
Tisha N. Edwards, Audit Manager, OIO

This appears to be a dummy account not previously identified.

Client Profile: TEMP: 100303063 (Read Only)

Address			
Type	Address	Acct. Type	
PRIMARY	WASHINGTON, DC		

Detail...

Account					
Acct. Type	Acct. ID	Effective	End	Filing Freq	Fiscal
INDIVIDUAL		01/01/1998	1/1	ANNUAL	12/31

Detail...  
Financials...

Close      Send Registration Notice

Notes Detail: TEMP: 100303063 HILL, JACK

Employee:      Created: 11/01/2005

Note Type: ENTITY      Summary: DO NOT REFUND

Text: THIS IS A BAD CREDIT THAT WAS CONVERTED FROM BTIS. DO NOT REFUND. THE ORIG RTN AND OVERPAYMENT WAS TRANSFERRED FROM SSN# . THIS IS A TEMP ACCT. AGAIN THIS IS A BAD CREDIT FROM BTIS. FOR TY 1998.

Previous      Next      OK

Periods						
Acct Type	Acct ID	Per Begin	Per End	Liability	Collections	Balance
INDIVIDUAL		01/01/1998	12/31/1998	0.00	3,732.00	-3,732.00

INDIVIDUAL: 01/01/1998						
Trans Type	Activity	Status	Liability Effect	Collection Effect	Effective	Processed
CREDIT REC	TVE		0.00	4,399.00	01/01/2005	11/01/2005
FLE PD/ADJ	TVE		0.00	0.00	11/01/2005	11/01/2005
CREDIT FWD	TVE		0.00	395.00	04/15/2007	10/18/2007
CREDIT FWD	TVE		0.00	432.00	04/15/2007	10/18/2007

Close      Assessment      Transaction      Financials...      Detail...

This was transferred to the taxpayer's account for the 2007 tax period by [redacted] in both instances; although the note states that it is a bad credit from 1998. No notes were provided by the employee to substantiate the credit transfers.

Periods						
Acct Type	Acct ID	Per Begin	Per End	Liability	Collections	Balance
INDIVIDUAL		01/01/2008	12/31/2008	0.00	2,205.97	-2,205.97
INDIVIDUAL		01/01/2007	12/31/2007	797.77	797.77	0.00
INDIVIDUAL		01/01/2006	12/31/2006	1,145.00	1,145.00	0.00
INDIVIDUAL		01/01/2005	12/31/2005	2,160.00	2,160.00	0.00
INDIVIDUAL		01/01/2004	12/31/2004	933.00	933.00	0.00

INDIVIDUAL: 01/01/2007						
Trans Type	Activity	Status	Liability Effect	Collection Effect	Effective	Processed
CREDIT REC	TVE		0.00	72.48	04/15/2007	10/18/2007
CREDIT REC	TVE		0.00	295.00	04/15/2007	10/18/2007
CREDIT REC	TVE		0.00	432.00	04/15/2007	10/18/2007
ORIG RTN	TVE		791.81	0.00	04/18/2008	05/07/2008
P&I UPDATE	TVE		0.04	0.00	05/11/2008	05/11/2008
P&I UPDATE	TVE		3.00	0.00	06/15/2008	06/16/2008

Close      Assessment      Transaction      Financials...      Detail...

**ITS Credit Balances within Temporary ID's  
in Ascending order  
as of August 2009**

**Attachment**

**Query: All temporary ID's (primary) with account balance less than 0**

**Note: This represents the temporary ID's that do not include converted remits.**

Temporary ID	Tax Type	Tax Period	Credit Balance	Type of Credit
1 100015380	SALES&USE	1995-03-31	(100,000.00)	PERIOD PMT
2 100012704	CORP.FRANC	1999-12-31	(14,900.00)	CREDIT REC
3 100232083	UNCP.FRAN	2007-12-31	(14,320.00)	DECS, OVR CR RCD
4 100244726	BALLPK FEE	2006-05-31	(10,800.00)	PERIOD PMT
5 100015350	CORP.FRANC	2000-12-31	(9,000.00)	DEC W/PMT
6 100306498	UNCP.FRAN	2007-12-31	(6,077.84)	OVR CR RCD
7 100001462	CORP.FRANC	1993-12-31	(5,578.13)	PERIOD PMT
8 100012114	CORP.FRANC	1998-12-31	(4,191.00)	PERIOD PMT
9 100303083	INDIVIDUAL	1998-12-31	(3,732.00)	OVR CR RCD
10 100179523	SALES&USE	1993-12-31	(2,596.34)	PERIOD PMT
11 100277250	UNCP.FRAN	2008-12-31	(2,480.00)	DEC W/PMT
12 100013756	WITHHOLD	2000-10-31	(2,057.31)	PMT W/ ORIG
13 100010923	SALES&USE	2000-12-31	(2,042.62)	PERIOD PMT
14 100006243	SALES&USE	1995-07-31	(1,389.42)	PERIOD PMT
15 100014960	WITHHOLD	2000-08-30	(1,265.92)	PERIOD PMT
16 100005471	CORP.FRANC	1999-12-31	(1,257.48)	PERIOD PMT
17 100006243	SALES&USE	1995-08-31	(1,235.17)	PERIOD PMT
18 100006243	SALES&USE	1995-09-30	(1,210.54)	PERIOD PMT
19 100001187	CORP.FRANC	1999-12-31	(1,100.00)	PERIOD PMT
20 100006243	SALES&USE	1995-10-31	(1,065.12)	PERIOD PMT
21 100000019	PERS PROP	1999-06-30	(961.05)	PERIOD PMT
22 100016146	SALES&USE	1990-01-31	(741.17)	PERIOD PMT
23 100014959	WITHHOLD	2001-02-28	(618.71)	PERIOD PMT
24 100009802	CORP.FRANC	2008-12-31	(600.00)	EXT W/PMT
25 100014809	SALES&USE	1995-06-30	(600.00)	PERIOD PMT
26 100245725	UNCP.FRAN	2009-12-31	(580.00)	DEC W/PMT
27 100015146	SALES&USE	1990-02-28	(569.43)	PERIOD PMT
28 100015020	WITHHOLD	1994-12-31	(557.84)	PERIOD PMT
29 100012318	UNCP.FRAN	2002-12-31	(500.00)	PERIOD PMT
30 100181110	PERS PROP	2000-06-30	(490.50)	PERIOD PMT
31 100015146	SALES&USE	1990-03-31	(481.56)	PERIOD PMT
32 100014927	UNCP.FRAN	2000-12-31	(480.00)	DEC W/PMT
33 100014948	PERS PROP	2000-06-30	(456.50)	PERIOD PMT
34 100013463	WITHHOLD	2002-02-28	(423.93)	PERIOD PMT
35 100015049	UNCP.FRAN	1990-12-31	(365.85)	PERIOD PMT
36 100013463	WITHHOLD	2002-06-30	(361.50)	PERIOD PMT
37 100014092	SALES&USE	2001-01-31	(340.40)	OVR CR RCD
38 100015049	UNCP.FRAN	1991-12-31	(321.42)	PERIOD PMT
39 100015049	UNCP.FRAN	1992-12-31	(318.73)	PERIOD PMT
40 100015146	SALES&USE	1990-04-30	(313.18)	PERIOD PMT
41 100007960	CORP.FRANC	2004-12-31	(300.00)	PERIOD PMT
42 100015399	UNCP.FRAN	1992-12-31	(288.63)	PERIOD PMT
43 100014959	WITHHOLD	2001-01-31	(288.20)	PERIOD PMT
44 100008113	UNCP.FRAN	2008-12-31	(276.79)	OVR CR RCD
45 100014808	UNCP.FRAN	1991-12-31	(264.48)	PERIOD PMT

46	100001353	UNCP.FRAN	1986-12-31	(257.00) PERIOD PMT
47	100006389	SALES&USE	1998-04-30	(256.68) PERIOD PMT
48	100012318	UNCP.FRAN	1998-12-31	(250.00) PERIOD PMT
49	100014808	UNCP.FRAN	1990-12-31	(237.06) PERIOD PMT
50	100014993	UNCP.FRAN	1997-12-31	(231.45) PERIOD PMT
51	100013654	WITHHOLD	2001-01-31	(230.00) PERIOD PMT
52	100014998	UNCP.FRAN	1994-12-31	(222.50) PERIOD PMT
53	100148276	UNCP.FRAN	1998-12-31	(213.00) PERIOD PMT
54	100014949	UNCP.FRAN	1993-12-31	(206.00) PERIOD PMT
55	100015167	UNCP.FRAN	1994-12-31	(206.00) PERIOD PMT
56	100014998	UNCP.FRAN	1995-12-31	(204.50) PERIOD PMT
57	100014897	PERS PROP	1999-06-30	(198.00) PERIOD PMT
58	100148276	UNCP.FRAN	1999-12-31	(191.00) PERIOD PMT
59	100015167	UNCP.FRAN	1995-12-31	(188.00) PERIOD PMT
60	100014998	UNCP.FRAN	1996-12-31	(186.50) PERIOD PMT
61	100015020	WITHHOLD	1995-05-31	(178.45) PERIOD PMT
62	100014948	WITHHOLD	1997-01-31	(177.52) PERIOD PMT
63	100014949	UNCP.FRAN	1991-12-31	(177.42) PERIOD PMT
64	100014717	WITHHOLD	2000-05-31	(173.07) PERIOD PMT
65	100014831	WITHHOLD	2000-09-30	(171.65) PERIOD PMT
66	100014831	WITHHOLD	2000-08-31	(171.64) PERIOD PMT
67	100015167	UNCP.FRAN	1996-12-31	(170.00) PERIOD PMT
68	100014998	UNCP.FRAN	1997-12-31	(168.50) PERIOD PMT
69	100148276	UNCP.FRAN	2000-12-31	(168.00) PERIOD PMT
70	100014717	WITHHOLD	2000-07-31	(165.28) PERIOD PMT
71	100002468	SALES&USE	2005-06-30	(158.47) PERIOD PMT
72	100014949	UNCP.FRAN	1992-12-31	(148.00) PERIOD PMT
73	100013756	WITHHOLD	2000-12-31	(147.87) PMT W/ ORIG
74	100014948	WITHHOLD	1997-02-28	(147.20) PERIOD PMT
75	100014717	WITHHOLD	2000-06-30	(146.25) PERIOD PMT
76	100007155	PERS PROP	1999-06-30	(144.84) PERIOD PMT
77	100014998	UNCP.FRAN	1998-12-31	(142.67) PERIOD PMT
78	100015216	UNCP.FRAN	1999-12-31	(140.33) PERIOD PMT
79	100014948	PERS PROP	1998-06-30	(134.22) PERIOD PMT
80	100014802	UNCP.FRAN	1999-12-31	(134.00) PERIOD PMT
81	100015155	PERS PROP	1999-06-30	(133.92) PERIOD PMT
82	100012303	UNCP.FRAN	1999-12-31	(119.50) PERIOD PMT
83	100015020	WITHHOLD	1995-09-30	(118.70) PERIOD PMT
84	100009526	SALES&USE	1998-04-30	(117.66) PERIOD PMT
85	100005366	SALES&USE	2001-12-31	(117.64) OVR CR RCD
86	100000019	CORP.FRANC	1999-12-31	(113.00) PERIOD PMT
87	100179523	SALES&USE	1993-10-31	(104.97) PERIOD PMT
88	100000983	UNCP.FRAN	2000-12-31	(100.00) EXT W/PMT
89	100006330	UNCP.FRAN	2003-12-31	(100.00) PERIOD PMT
90	100010168	CORP.FRANC	2001-12-31	(100.00) DEC W/PMT
91	100011138	UNCP.FRAN	2004-12-31	(100.00) EXT W/PMT
92	100011138	UNCP.FRAN	2003-12-31	(100.00) PMT W/ AMEND
93	100011752	CORP.FRANC	2000-12-31	(100.00) EXT W/PMT
94	100012044	CORP.FRANC	2003-12-31	(100.00) PERIOD PMT
95	100013380	UNCP.FRAN	2000-12-31	(100.00) PERIOD PMT
96	100014152	CORP.FRANC	2008-12-31	(100.00) EXT W/PMT
97	100014152	CORP.FRANC	2000-12-31	(100.00) EXT W/PMT

98	100194480	CORP.FRANC	2002-06-30	(100.00)	PERIOD PMT
99	100206886	CORP.FRANC	2002-12-31	(100.00)	EXT W/PMT
100	100281508	UNCP.FRAN	2008-12-31	(100.00)	EXT W/PMT
101	100310864	PARTNER	2008-12-31	(100.00)	EXT W/PMT
102	100006243	SALES&USE	1995-06-30	(99.75)	PERIOD PMT
103	100253990	SALES&USE	2004-08-31	(92.00)	PERIOD PMT
104	100014740	CORP.FRANC	1999-12-31	(91.24)	PERIOD PMT
105	100011729	CORP.FRANC	1999-12-31	(89.26)	PERIOD PMT
106	100055357	CORP.FRANC	2008-12-31	(75.00)	OVR CR RCD
107	100006048	PERS PROP	1996-06-30	(68.00)	PERIOD PMT
108	100006048	PERS PROP	1997-06-30	(68.00)	PERIOD PMT
109	100006048	PERS PROP	1998-06-30	(68.00)	PERIOD PMT
110	100006048	PERS PROP	1999-06-30	(68.00)	PERIOD PMT
111	100006048	PERS PROP	2000-06-30	(68.00)	PERIOD PMT
112	100006048	PERS PROP	2001-06-30	(68.00)	PERIOD PMT
113	100006048	PERS PROP	2002-06-30	(68.00)	PERIOD PMT
114	100015155	SALES&USE	1995-03-31	(64.08)	PERIOD PMT
115	100013037	CORP.FRANC	1999-12-31	(57.66)	PERIOD PMT
116	100014948	PERS PROP	1999-06-30	(57.28)	PERIOD PMT
117	100179523	SALES&USE	1993-09-30	(57.14)	PERIOD PMT
118	100014710	SALES&USE	2000-07-30	(52.96)	PERIOD PMT
119	100014690	CORP.FRANC	1998-12-31	(50.50)	PERIOD PMT
120	100012207	CORP.FRANC	1999-12-31	(36.46)	PERIOD PMT
121	100014791	SALES&USE	2000-12-31	(36.44)	CREDIT REC
122	100000470	CORP.FRANC	1999-12-31	(34.00)	PERIOD PMT
123	100014380	WITHHOLD	2000-02-29	(26.10)	PERIOD PMT
124	100006136	UNCP.FRAN	1999-12-31	(26.00)	PERIOD PMT
125	100014659	UNCP.FRAN	1999-12-31	(26.00)	PERIOD PMT
126	100014664	UNCP.FRAN	1999-12-31	(26.00)	PERIOD PMT
127	100015338	UNCP.FRAN	1991-12-31	(26.00)	PERIOD PMT
128	100014791	SALES&USE	2000-09-30	(18.05)	CREDIT REC
129	100015541	PERS PROP	1999-06-30	(14.69)	PERIOD PMT
130	100015541	PERS PROP	2000-06-30	(14.35)	PERIOD PMT
131	100015167	UNCP.FRAN	1997-12-31	(12.69)	PERIOD PMT
132	100015353	UNCP.FRAN	1997-12-31	(0.72)	PERIOD PMT
<b>TOTAL</b>				<b>(208,025.60)</b>	