

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL**

**AUDIT OF REVENUE COLLECTED IN
THE OFFICE OF THE SECRETARY OF
THE DISTRICT OF COLUMBIA**



**CHARLES J. WILLOUGHBY
INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



March 3, 2006

Ms. Patricia Elwood
Interim Secretary of the District of Columbia
Office of the Executive Secretary
1350 Pennsylvania Ave., N.W. Suite 419
Washington, D.C. 20004

Dear Ms. Elwood:

Enclosed is our final report summarizing the results of the Office of the Inspector General's *Audit of the Revenue Collected in the Office of the Secretary of the District of Columbia* (OIG No. 05-2-05BA).

Our report contains 13 recommendations for necessary action to correct the described deficiencies. We received a response to the draft report from the Secretary of the District of Columbia on February 8, 2006. The Secretary's response fully addressed all but one of the recommendations, and we consider the actions taken and/or planned by the Office of the Secretary to be responsive to the remaining recommendations. We request that the Office of the Secretary reconsider its response to recommendation 7 and provide additional comments that fully address and meet the intent of the recommendation. Accordingly, we ask that the Office of the Secretary provide an updated response within 60 days from the date of this report.

The full text of the Office of the Secretary's response is included at Exhibit B. Exhibits C and D provide responses from officials of the Office of Documents and Administrative Issuances and officials of the Office of Notary Commissions and Authentications, respectively.

We appreciate the cooperation extended to our staff during the audit. If you have questions, please contact William J. DiVello, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,


Charles J. Willoughby
Inspector General

CJW/lw

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**AUDIT OF REVENUE COLLECTED IN THE OFFICE OF THE
SECRETARY OF THE DISTRICT OF COLUMBIA**

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EXECUTIVE DIGEST

OVERVIEW

The District of Columbia Office of the Inspector General (OIG) has completed an audit of the Revenue Collected in the Office of the Secretary of the District of Columbia (Secretary). The audit was initiated as a result of a request from the Secretary of the District of Columbia to conduct an operational assessment and audit of the Office of Documents and Administrative Issuances (ODAI) and the Office of Notary Commissions and Authentications Section's (ONCA) operations and financial records for fiscal year FY 2003 and FY 2004. Prior to the completion of the audit, we briefed the Secretary so that appropriate corrective actions could be initiated prior to issuance of the final report.

The objectives of our audit were to determine whether the Office of Documents and Administrative Issuances and the Office of Notary Commissions and Authentications Section: (1) implemented adequate management and internal controls over the revenue collection process; and (2) complied with requirements of applicable laws, regulations, policies and procedures.

CONCLUSIONS

This report contains two findings that detail the conditions documented during the audit. The first finding addresses the fact that the ODAI did not properly or accurately record collected revenue, and as a result, financial records showed that revenue collected was either overstated or understated. We found a lack of segregation of duties in key functions, such as authorizing, processing, recording, and reviewing financial transactions. The ODAI was unable to adequately identify inventory available for sale, inventory purchased, and/or inventory sold. Additionally, we found that the physical custody over inventory was poorly maintained. Further, the ODAI did not have adequate policies or procedures documenting office operations relating to the collection of revenue and the custody of inventory. Lastly, we found no evidence of supervisory review or management oversight over ODAI office operations.

Our second finding showed that ONCA did not have adequate procedures over revenue collection. We found that ONCA lacked pertinent financial records for FYs 2003 and 2004. Additionally, we determined that ONCA had weak internal controls over the authorizing, processing, and recordkeeping of financial transactions, and had not sufficiently segregated these duties, which were performed by one individual.

EXECUTIVE DIGEST

SUMMARY OF RECOMMENDATIONS

We directed 13 recommendations to the Secretary of the District of Columbia relative to improving internal controls in the ODAI and ONCA. Eight of the 13 recommendations addressed actions needed to correct deficiencies in ODAI's operations. These eight recommendations centered in part on developing written policies and procedures governing the processes for revenue collections, customer mail orders, reconciling financial records, and inventory; developing a computerized inventory system to track inventory purchased, sold, and available for sale; implementing policy to ensure that mail orders are filled timely after receipt; and separating key functions for collecting and processing revenue.

The remaining five recommendations addressed ONCA's operations regarding timely daily deposits of revenue collections to the Office of Finance and Treasury, development of a record retention schedule that includes a reasonable timeline for maintaining and destroying pertinent documents, establishment of controls to ensure daily supervisory reviews and weekly reconciliations over financial transactions, updating ONCA written office policies to ensure all office functions and operations are included; and segregation of duties for performing key financial transactions.

A summary of the potential benefits resulting from the audit is shown at Exhibit A.

CORRECTIVE ACTIONS

On February 8, 2006, the Office of the Secretary provided a written response to our draft report. The Office of the Secretary's response fully addressed all but one of the recommendations, and we consider the actions taken and/or planned to be responsive to our recommendation. We request that the Office of the Secretary reconsider its response to recommendation 7 and provide additional comments that fully address and meet the intent of the recommendation.

The full text of the Office of the Secretary's response is included at Exhibit B. Exhibits C and D provide responses from officials of the Office of Documents and Administrative Issuances and officials of the Office of Notary Commissions and Authentications, respectively.

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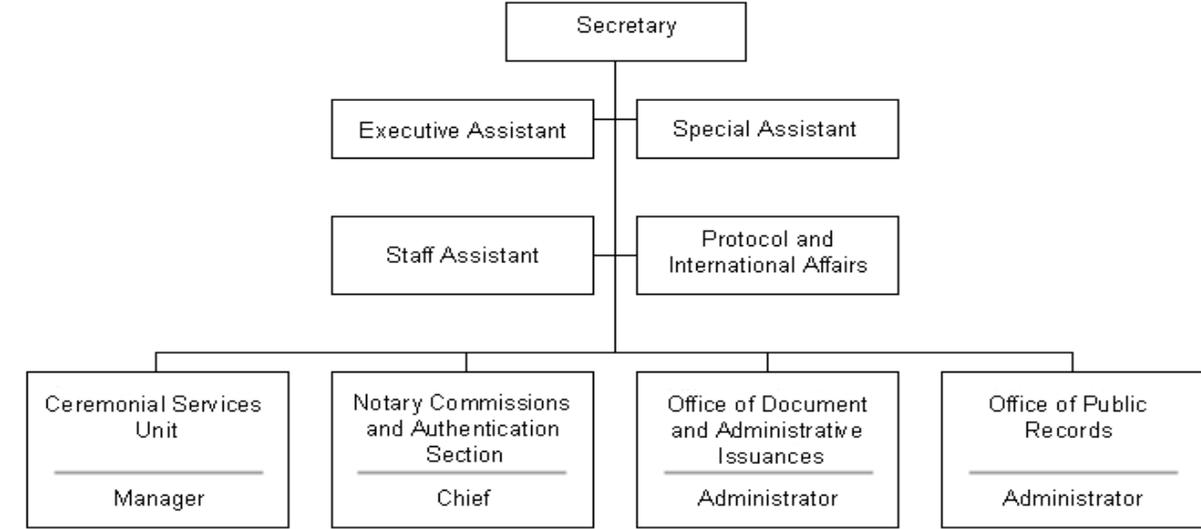
BACKGROUND

The District of Columbia’s Office of the Secretary serves as the sole custodian for the Seal of the District of Columbia and authenticates its proper use in accordance with District law. The Secretary also attests to the authentication of official records of the executive branch and other District documents as required, either by law or agreement. The Secretary issues licenses, renewals and revocations of notary commissions, prepares various official documents, and provides oversight for the ODAI and ONCA.

In addition, the Secretary acts as the city’s Chief Protocol Officer. The Office of the Secretary oversees the following programs to ensure the efficient delivery of services to residents of the District of Columbia, as well as District and federal agencies:

- Ceremonial Services Unit
- Office of Documents and Administrative Issuances
- Notary Commissions and Authentications Section
- Protocol and Internal Affairs
- Office of Public Records.

The flowchart below depicts the hierarchy and operations within the Office of the Secretary.



INTRODUCTION

The operating budgets for the Office of the Secretary for FY 2003 and FY 2004 were \$2,418,345 and \$2,768,504, respectively.

The Office of Documents and Administrative Issuances

D.C. Code § 2-611(c) states that the ODAI provides for the “preparation, editing, printing, and public distribution of the *District of Columbia Statutes-at-Large*, the *District of Columbia Register* (DCR), and the *District of Columbia Municipal Regulations* (DCMR),” in accordance with the requirements of the District of Columbia Documents Act of 1978, D.C. Law 2-153, effective March 6, 1979, codified at D.C. Code §§ 2-611 to 612. The ODAI also distributes, tracks, maintains, and preserves all executive orders, directives and administrative issuances.

The DCR is a weekly publication that reports on the activities and operations of the District government. The DCR includes the following:

- Council of the District of Columbia laws, acts, and resolutions
- Notices of the Council of the District of Columbia
- Notices of emergency, proposed, and final regulations
- Notices of public hearings
- Documents of general public interest

The DCMR is a compilation of the rules and regulations issued by District agencies and the Council of the District of Columbia. The DCMR is separated into 31 titles.

Additionally, the ODAI provides other publications such as Mayors Orders, Mayor’s Memoranda, Mayor’s Administrative Instructions, and the Administrative Procedure Manual. The ODAI generates revenue from the sale of the DCR, subscriptions to the DCR and DCMR, and the other publications. ODAI revenue generated during FY 2003 and FY 2004 was approximately \$98,412, and \$95,063, respectively.

The Office of Notary Commissions and Authentications Section

The ONCA provides service for constituents of the District of Columbia in authenticating documents for domestic and foreign use. The ONCA also processes and commissions persons seeking to become a District of Columbia Notary Public. In addition, ONCA has been given the responsibility of accepting passport applications.

The ONCA issues four types of certificates for authentication: 1) Apostille, 2) Foreign, 3) Department Head, and 4) Domestic or “A” certificates. The Apostilles and Foreign certificates are issued based on the country where the document will be presented. The Department Head Certificates require the signature of the agency head (or his or her

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designee) and the official agency seal, and Domestic or “A” Certificates are for use in the United States only.

The ONCA generates revenue from the sale of authentications and commissions. The ONCA processed 29,500 and 28,990 authentications and commissions in FY 2003 and FY 2004, respectively, which generated revenue of \$316,227 in FY 2003 and \$324,759 in FY 2004. The District currently has commissioned over 8,000 notary public officers who notarize documents by administering oaths, attestations, and witnessing the signature of the person(s) personally appearing before the notary public.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our audit objectives were to determine whether the ODAI and ONCA: (1) implemented adequate management and internal controls over the revenue collection process; and (2) complied with requirements of applicable laws, regulations, policies and procedures.

To accomplish our objectives, we conducted interviews and discussions with ODAI and ONCA management and administrative staff to gain a general understanding of the policies and procedures and other controls used by each office. We examined financial records, performed tests of financial transactions, and analyzed financial data maintained by ODAI and ONCA. We did not completely rely on computer-processed data during this audit. However, any use of this data would not materially affect the audit results. The period of our review primarily covered records and transactions related to FY 2003 and FY 2004.

We attempted to review the accuracy of ODAI sales revenue for FY 2003; however, the ODAI did not maintain the records and documentation (deposit slips and System of Accounting and Reporting (SOAR) revenue receipts) that would have supported the sales transactions and revenue collected, and ODAI customer receipts were often illegible. Additionally, the ONCA did not maintain payors’ receipts for FY 2003 and FY 2004. Accordingly, we were unable to validate the accuracy of the revenue received and reported by the ODAI for FY 2003 and by the ONCA for FY 2003 and FY 2004.

This audit was conducted in accordance with generally accepted government auditing standards and included such tests as we considered necessary.

FINDINGS AND RECOMMENDATIONS

FINDING 1: OFFICE OF DOCUMENTS AND ADMINISTRATIVE ISSUANCES

SYNOPSIS

The ODAI did not adequately account for revenue collected from the sale of District publications. We found that the ODAI did not have adequate controls in place to properly or accurately record revenue in FY 2003 and FY 2004, nor did ODAI have a tracking system to determine the inventory purchased, sold, or available for sale. The ODAI also did not segregate the duties for processing, recording, and authorizing transactions. ODAI has one employee who authorizes, processes, records, and reviews all ODAI financial transactions. In addition, the ODAI did not have adequate written policies or procedures describing the processes governing revenue collection or custody of inventory. As a result, weak internal controls placed the ODAI at risk for theft and/or fraud, waste, and abuse.

DISCUSSION

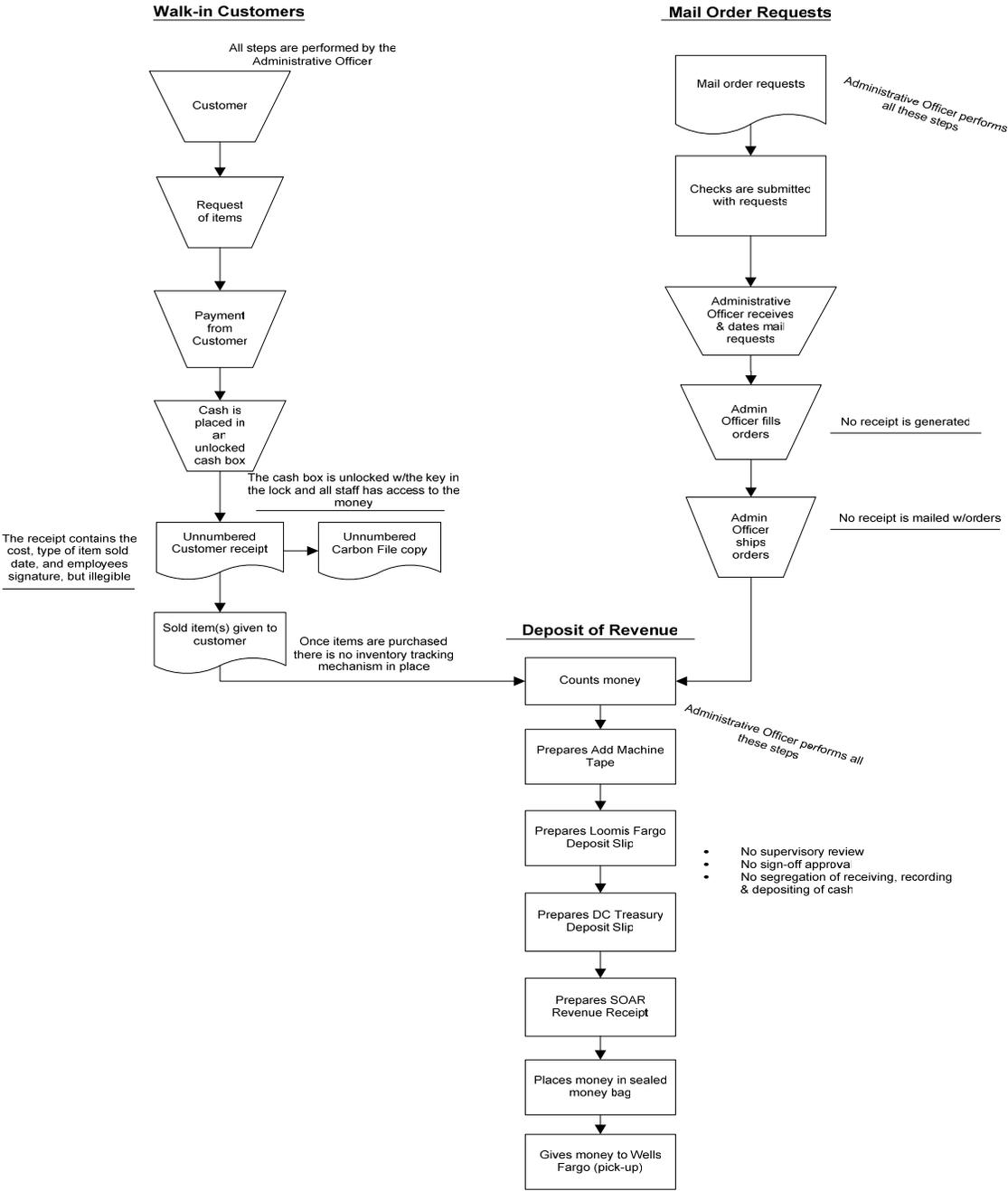
Our audit disclosed problems in the ODAI revenue collection procedures, deficiencies in the internal controls over the inventory process, and inadequate segregation of duties of individuals handling financial transactions.

REVENUE COLLECTION PROCEDURES

The ODAI's revenue is generated from the sale of the DCR, DCMR, and other District of Columbia government publications. The ODAI services both walk-in customers and mail order requests. The following flowchart describes the ODAI's revenue process, which begins with the receipt of money from walk-in customers and mail order requests, and describes in detail the process for depositing revenue. The flowchart lists the deficiencies found during our review, as well as one of the ODAI's major weaknesses, the lack of segregation of duties for several financial functions. The flowchart records this weakness by illustrating that the administrative officer performs duties such as, receiving, recording, and depositing revenue.

FINDINGS AND RECOMMENDATIONS

OFFICE OF DOCUMENTS ADMINISTRATIVE ISSUANCES REVENUE COLLECTION PROCESS



FINDINGS AND RECOMMENDATIONS

ODAI Authorization Process. Our review found errors in the daily collection reports that either overstated or understated revenue collected. The daily collection report does not identify the source of revenue received, such as walk-in sales, mail order sales, or DCR subscription sales. Additionally, we found that the daily collection reports were not reviewed or approved by a supervisor.

Use of Unnumbered Sales Receipts. We found that the ODAI routinely provided customers with an unnumbered receipt of the sale. We discussed with ODAI management the importance of using pre-numbered sales receipts, which would help in implementing internal control over the receipt of sales revenue, and suggested that the ODAI consider implementing the use of pre-numbered receipts. During our fieldwork, a pre-numbered receipt book was purchased after we informed the Secretary about this matter. Pre-numbered sales receipts were used for only a short time period, March 2005 - May 2005. We found that during our exit conference with the ODAI's administrator, all of the pre-numbered sales receipts had been used, and the un-numbered sales receipts were being used again, resulting in a disruption of the internal controls implemented over the receipt of sales revenue.

Handling of Cash Receipts. Money that is collected is placed in a cash lockbox, which is kept in a desk drawer located in the area where walk-in customers come to make purchases. We observed that the cash box was routinely unlocked with the key left inside the lock, and the money collected was kept in the cash box until the close of business. At the close of business, the administrative officer closed-out the daily sales receipts by counting the money, preparing a daily collection report, and then placing the money in a safe located in the ODAI's conference room. Often times the administrative officer did not complete the daily sales receipt closeout on a daily basis. When the administrative officer did not close out daily, the money was placed in a locked file cabinet located in the administrative officer's office, where the key to the file cabinet is kept in a jar on top of the file cabinet. We also found that when the administrative officer counts the cash receipts, no other staff is present. These conditions contribute to weak controls over the security of revenue.

Mail Order Sales. DCMR volumes may also be purchased through mail order requests. All mail order requests are handled and prepared by the administrative officer. The ODAI pays for the postage, which is included in the sale price of the requested items. According to the Secretary, the ODAI only accepts checks or money orders to fill requests made through mail orders.¹ We found that the ODAI does not prepare receipts for mail order sales, nor does ODAI maintain an organized file of mail orders filled. Our review found that mail order records were haphazardly kept in a file folder. The only

¹The ODAI routinely accepted cash, checks, and money orders from walk-in customers as a form of payment for requested publications. At the beginning of our audit, we were informed that the ODAI no longer accepts cash as a form of payment.

FINDINGS AND RECOMMENDATIONS

form of documentation maintained for mail orders was the request letter, which serves as evidence of the items ordered by the customer.

We reviewed the mail order requests submitted during FY 2004. Available records indicated that the ODAI recorded \$16,727 from mail order sales. However, we believe more money was received because we found no evidence of money collected for 22 mail order requests. Therefore, we could not quantify the amount of revenue associated with those 22 mail orders. Also, our review of 19 mail order requests showed no evidence that the requests were filled. Lastly, we found 22 separate instances where mail order requests were not filled for more than a month after receipt. Further, there were no written policies or procedures regulating the mail order process, and the operation lacked adequate management controls and oversight.

Inoperable Cash Register. The ODAI purchased a cash register during FY 2001 for the purpose of providing a record of cash received and a record of inventory sold. We were informed that shortly after the cash register was installed, an ODAI employee dismantled it. We were unable to identify the employee responsible for rendering the cash register inoperable. ODAI management stated that several attempts were made to repair the cash register; however, during our audit the cash register remained inoperable. Without an operable cash register, no point of sale record can be maintained and there is no machine-generated tally of daily sales. Rather, the ODAI places collected cash in a cash box and prepares a daily collection log.

Based on our observation and interviews with ODAI management, there was no indication that there were plans to have the cash register fixed or replaced. A properly operating cash register is essential for providing the necessary internal control to document and date each transaction, identifying items sold and their cost, assisting in tracking inventory, and providing a daily record of revenue received.

Records and Recording. We found that the processes for recording revenue were ineffective and lacked supervisory review. We also found that daily collection reports for FYs 2003 and 2004 were either overstating or understating revenue collected. The ODAI did not maintain financial records such as deposit slips and SOAR revenue receipts for FY 2003. The ODAI also did not have supporting documentation for items that were purchased through the mail. The ODAI should have maintained these documents for at least 3 years. In addition, the customer receipts were often illegible and, therefore unauditible. For example, the customer receipt did not clearly show the cost and item purchased. As a result, unauditible data limited our scope for reviewing the processes governing the revenue collection. Due to the lack of supporting documentation, we were unable to validate the accuracy of the revenue received and reported in FY 2003. Tables 1 and 2 on the following page show the reports generated to document revenue collected for FY 2003 and FY 2004.

FINDINGS AND RECOMMENDATIONS

Table 1. ODAI FY 2003 Financial Records

Transactions Type	Amount
Deposit Slips	No Records
Revenue Deposit Report	\$103,678
SOAR Revenue Receipt	No Records
Office of Finance and Treasury Report	\$98,412

Table 2. ODAI FY 2004 Financial Records

Transactions Type	Amount
Deposit Slips	\$84,784
Revenue Deposit Report	\$95,062
SOAR Revenue Receipt	\$95,063
Office of Finance and Treasury Report	\$95,063

We tested the available documentation to determine the validity and accuracy of the receipt and recordation of revenue collected, using the following sources to conduct our tests: the Revenue Deposit Report; Office of Finance and Treasury Report; and SOAR Revenue Receipt.

- *Revenue Deposit Report.* The revenue deposit report is comprised of data from the daily collection reports. It identifies the revenue deposited monthly to the Office of Finance and Treasury. For FY 2003 and FY 2004, there was no evidence that a supervisory review was conducted of the revenue deposit report, and we found that the ODAI did not reconcile the revenue deposit report with daily collection reports or customer receipts.
- *Office of Finance and Treasury Report.* The Office of Finance and Treasury prepares a report that lists the ODAI revenue collected and deposited in FY 2003 and FY 2004.
- *SOAR Revenue Receipt.* The SOAR revenue receipt lists the actual amount being deposited. This is a standard form used throughout the District government for recording revenue. The administrative officer prepares and signs the SOAR revenue receipt, and then the receipt is approved and signed by Office of Finance and Treasury officials and returned to the ODAI for filing.

FINDINGS AND RECOMMENDATIONS

FY 2003 Revenue Collection. The ODAI did not maintain deposit slips or SOAR Revenue Receipts for FY 2003. As a result, we were unable to perform tests to determine the accuracy of the revenue collected or to determine the reason for differences in amounts of revenue reported as deposited versus actual deposits recorded on the Office of Finance and Treasury report. When we reviewed the revenue deposit report and compared it to the Office of Finance and Treasury report, we found that the FY 2003 revenue deposit report listed \$5,266 more than what was reported by the Office of Finance and Treasury.

Unauditable Records for FY 2003. Our test revealed that ODAI improperly recorded revenue received for FY 2003. The revenue was either recorded greater than or less than what was recorded by the Office of Finance and Treasury.² We found inconsistent data in ODAI financial records which we deemed unreliable for our review. For FY 2003 financial transactions, the ODAI lacked supporting documentation such as deposit slips, and SOAR revenue receipts were unreliable and unauditable, therefore we were unable to give a reasonable opinion of the validity and accuracy of the revenue collections process in FY 2003.

FY 2004 Revenue Collection. The FY 2004 deposit slips did not agree with the FY 2004 Office of Finance and Treasury Report. Our testing revealed that the deposit slips understated revenue received by \$10,279 in relation to what was reported by the Office of Finance and Treasury. We also traced the FY 2004 deposit slips for some transactions to the SOAR revenue receipts and the revenue deposit report. The recorded amounts on the SOAR revenue receipts and in the revenue deposit report did not agree. All of these documents were prepared by the administrative officer. We also traced the daily collection reports to the deposit slips, and found that the amounts recorded on the deposit slips were less than what was recorded on the daily collection reports. We recalculated the financial records the ODAI provided for our review and determined that the ODAI failed to properly and accurately record revenue received. Our test results were presented to the administrative officer, but the administrative officer could not provide an explanation for the difference.

Review & Depositing Procedures. The ODAI's administrative officer prepares revenue for deposit, which includes preparing deposit slips and SOAR revenue reports. The Wells Fargo Security Company picks up revenue bi-weekly, and transports the deposit to the Office of Finance and Treasury. Once the money is received by the Office of Finance and Treasury, the SOAR Revenue Receipt that ODAI's administrative officer prepared is verified, approved, signed by the Office of Finance and Treasury, and returned to the ODAI for filing. Our review found that on any given day, the ODAI could have as much as 10 days of generated revenue maintained within the ODAI's office.

²The Office of Finance and Treasury is responsible for accurately processing and recording all revenue received for the District of Columbia Government. Therefore, we did not conduct a test to determine the validity of the data received from the Office of Finance and Treasury.

FINDINGS AND RECOMMENDATIONS

The Office of the Chief Financial Officer (OCFO) provides criteria and consistent policies and procedures for handling cash for the District government in Section 1010.300 of the OCFO's Financial Policies and Procedure Manual which states, "The following policies must be adopted and followed: (A) All cash receipts must be promptly recorded and controlled (C) Cash received must be deposited with the Office of the Finance and Treasury, intact and on a timely (daily) basis (D) Cash must be properly safeguarded and recorded"

The ODAI should implement and comply with the above stated policies to develop better controls over cash receipts. Stronger controls would help to lessen the risk of theft when large sums of money are left undeposited for several days.

INVENTORY

We found significant internal control deficiencies in ODAI inventory procedures. The ODAI had few or no controls in place over inventory. The ODAI did not have written policies or procedures outlining the inventory process. Our review also revealed a lack of management oversight and little supporting documentation for inventory transactions. The ODAI was unable to provide information regarding inventory purchased, sold, or available for sale in FY 2003 and FY 2004, and as a result, we could not validate the effectiveness of the operations and processes over inventory. Poor controls over inventory existed because ODAI management did not understand the importance of an inventory control system. As a result, there are risks that the ODAI may have purchased unnecessary inventory, and theft of documents may have occurred without detection.

Inventory Storage. The ODAI inventory is kept in three locations; a vacant office, a supply room within ODAI offices, and a storeroom in the basement of 441 Judiciary Square. We reviewed the contents kept at each of these locations. In the vacant office we found an array of boxes placed sporadically throughout the office. The contents of the boxes were not labeled. Additionally, we observed that some of the boxes contained an assortment of DCMR volumes. Our review of the supply room showed open and closed boxes of the DCMR displayed throughout the supply room, with no appearance of order. Both of these rooms are accessible to all ODAI staff.

During our tour of the basement storeroom, we observed open and closed boxes on the floor that were labeled "current DCMRs" and "archival DCMRs"; however, not all of the boxes were labeled. There was no organization or structure as to how this inventory of boxes was placed throughout the basement storeroom. There were bookshelves in the room that could have easily been used to store and maintain the inventory in an effective and efficient manner. The storeroom also appeared to have enough space to organize the inventory without much effort.

FINDINGS AND RECOMMENDATIONS

When we inquired as to whether the ODAI could identify the inventory items at the three locations, the ODAI stated that the inventory items could not be identified. We attempted to obtain the records to support inventory purchases, the removal of items from the inventory, and other inventory control records, but the ODAI could not provide any supporting documentation. The ODAI also had no written policies and procedures for inventory operations.

SEGREGATION OF DUTIES AND ODAI STAFFING

Our audit found that the ODAI did not segregate the duties for authorizing, processing, recording, and reviewing financial transactions or maintaining custody of the inventory. We also found that the administrative officer performed most of the key functions within the ODAI, to include receiving, recording, and depositing revenue. The administrative officer also services walk-in customers, fills customer mail order requests, and prepares financial documents. According to section 1010.300(B) of the OCFO's Financial Policies and Procedure Manual, "the [s]egregation of duties must be the first priority of an agency when handling cash receipts and disbursements and record-keeping functions"

The lack of segregation of duties compounded the risk of loss, especially since we found instances where revenue was improperly recorded, supporting documentation was not maintained, and key office functions were not being performed, such as tracking inventory.

Additionally, we found that the preparation of ODAI's financial records, office operations, and inventory processes lacked any type of documented supervisory review. The ODAI had errors in its financial records that both overstated and understated revenue. If the ODAI conducted routine supervisory reviews over office operations, the reviews could help reduce errors, lower the risk of fraud, and serve as a deterrent against theft. As a result of the lack of supervisory review, there was no authorization over any of ODAI financial records for fiscal years 2003 and 2004.

Responsibilities of Assigned Staff. There are seven authorized positions in the ODAI office. Currently, the ODAI employs four individuals, including the administrator. Table 3 lists the ODAI's authorized positions, and states which are filled or vacant.

FINDINGS AND RECOMMENDATIONS

Table 3.

Schedule of ODAI Employees by Job Title and Grade

Job Title	Job Status	Grade/Step
Administrator	Filled	GS-15
Administrative Officer	Filled	GS-12
Legislative Research Specialist	Filled	GS-13
Administrative Issuance Assistant	Filled	GS-11
Staff Attorney	Vacant	GS-13
Editor	Vacant	GS-12
Clerical Assistant	Vacant	GS-5

From interviews with the ODAI Administrator we obtained a brief description of the seven positions within the ODAI as stated below:

- *The Administrator* is tasked with the responsibility for overseeing all ODAI office operations. The Administrator is to manage and direct all functions over the preparation and public distribution of all District of Columbia government legal publications.
- The *Administrative Officer* acts as office manager and oversees supplies, time and attendance reports, and all other administrative support functions.
- The *Legislative Research Specialist* is mainly responsible for monitoring legislative and administrative changes to rules.
- The *Administrative Issuance Assistant* is principally responsible for numbering and distributing administrative issuances and for assisting patrons with reference questions.
- The *Staff Attorney* assists with the updates to the DCMRs, reviews rulemaking for the DCR, and interprets legal inquiries.
- The *Editor* is tasked with assembling and maintaining subscription lists for the DCR.
- The *Clerical Assistant* is primarily responsible for selling documents and providing clerical support.

FINDINGS AND RECOMMENDATIONS

Our review of the ODAI staff's job descriptions revealed that most of the work performed in the office was not reflected in any staff job description. Therefore, the responsibilities for revenue collection, inventory maintenance, and processing and authorizing of financial transactions were not ascribed to any ODAI employee. Further, the financial responsibilities for revenue collection and inventory were not outlined in the ODAI office manual.

Segregation of Duties. Our review and observation of the duties performed by OADI staff disclosed that the duties and responsibilities of key personnel were not adequately separated to provide the necessary internal controls. The administrative officer received, recorded, and deposited revenue collected, as well as, maintained custody over inventory. When one employee maintains control over the entire span of financial transactions, there is an increased risk that errors will occur, mistakes will go uncorrected, and, more significantly, funds may be misappropriated and accounting records falsified to hide fraudulent activity. Proper segregation of duties would help lower the risk of fraud or theft, improve recordkeeping, reduce errors, and allow for reconciliation of amounts collected and deposited.

Vacant Positions. We found that the staff attorney position has been vacant for nearly 10 years, and the staff assistant position has been vacant for over 1 year. We believe that in order to maintain an effective internal control structure, the ODAI management should reorganize office operations. The ODAI management should conduct an analysis and evaluation of office operations to identify staff duties that could be shared.

Lack of Supervisory Review. We reviewed the ODAI's revenue reports, daily collection reports, and deposit slips. None of these reports/documents were reviewed by a supervisor, which could have attributed to instances of revenue being incorrectly documented and reported. We recommend that the ODAI develop a supervisory review for all office functions and operations below the level of the ODAI Administrator.

FINDINGS AND RECOMMENDATIONS

Written Policy and Procedures. The ODAI does not have adequate written policy and procedures directing how operations should be executed and administered. ODAI provided the auditors with a one-page sheet documenting the revenue collection process that did not provide for all of the steps involved in the process. The procedures failed to identify staff roles of key functions, approval processes, and custody over assets. Adequate written policies and procedures are necessary to establish guidelines for personnel involved in the functions and activities related to the office. Written policies and procedures will be particularly necessary when ODAI hires individuals for its vacant positions to segregate the duties now performed by the administrative officer. Additionally, such guidelines will ensure consistency among staff, provide clarity, define duties and responsibilities, and ensure uniform interpretation of office policies and procedures.

RECOMMENDATIONS

We recommend that the Secretary of the District of Columbia direct the ODAI's Administrator to:

1. Analyze and evaluate office operations, evaluate vacant positions, and reclassify positions in a manner which adequately segregate financial duties.
2. Separate key functions such as, receiving, recording, and depositing of revenue, as well as, authorizing financial transactions within the ODAI.
3. Establish a policy for the ODAI to identify each revenue source in its financial records (for example, sales of the DC Register, DCMRs, and mail orders.)
4. Develop a computerized inventory system to track items purchased and sold, and to track the balance of inventory for sale within the ODAI.
5. Immediately conduct an inventory of District publications on hand, including those located in storage areas, and create a means for effectively labeling and warehousing inventory in storage areas.
6. Revise written office policies and procedures to outline all operations and processes within the ODAI, including collecting revenue, processing mail requests, reconciling revenue, and maintaining inventory.

FINDINGS AND RECOMMENDATIONS

7. Establish a quarterly report on management's review and oversight over all of ODAI operations and processes to be submitted to the Secretary of the District of Columbia.
8. Operate within the Office of the Chief Financial Officer's established guidelines to make timely and daily deposits to the Office of the Finance and Treasury.

RECOMMENDATION 1

ODAI Response

ODAI stated in its response that they concurred with the recommendation. This will be accomplished as part of revised processes over office operations to include, segregation of duties and supervisory review of daily transactions of revenue collection.

OIG Comment

We consider ODAI's actions to be responsive to the recommendation.

RECOMMENDATION 2

ODAI Response

ODAI stated in its response that they concurred with this recommendation. ODAI has reassessed current operations performed by staff and plans to fill at least three vacancies which will help to provide segregation of duties within ODAI.

OIG Comment

We consider ODAI's actions to be responsive to the intent of the recommendation.

FINDINGS AND RECOMMENDATIONS

RECOMMENDATION 3

ODAI Response

ODAI concurred with this recommendation. ODAI has adopted a policy and created a form that will provide for the documentation of each source of revenue received on a daily basis.

OIG Comment

The actions to be taken by ODAI, as outlined in the response, meet the intent of our recommendation.

RECOMMENDATION 4

ODAI Response

ODAI concurred with the recommendation and has provided detailed actions to develop an automated inventory tracking system within ODAI.

OIG Comment

We consider ODAI's actions to be responsive to the above recommendation.

RECOMMENDATION 5

ODAI Response

ODAI concurred with the recommendation and has taken immediate actions by conducting a count of ODAI's inventory on-hand to be completed by February 10, 2006.

OIG Comment

We consider ODAI's actions to be responsive to the above recommendation.

FINDINGS AND RECOMMENDATIONS

RECOMMENDATION 6

ODAI Response

ODAI stated in its response that they concurred with this recommendation. ODAI plans to develop written policies and procedures which outline the processing of revenue, mail orders, reconciling financial transactions, and the development of inventory procedures to be completed by February 10, 2006.

OIG Comment

The actions to be taken by ODAI, as outlined in the response, clearly meet the intent of our recommendation.

RECOMMENDATION 7

ODAI Response

ODAI did not concur with this recommendation. According to ODAI officials management reviews and supervisory oversight of ODAI operations is occurring.

OIG Comment

ODAI comments are noted. However, based on the results of our audit work we believe that a quarterly report to the Secretary will serve as a good internal control over ODAI operations. Accordingly, we request that ODAI officials reevaluate their response and provide a target date for when this recommendation will be adopted.

RECOMMENDATION 8

ODAI Response

ODAI stated in its response that they concurred with the recommendation. This will be accomplished by implementing a policy to make daily deposits to the Office of Finance and Treasury beginning February 3, 2006.

OIG Comment

We consider ODAI's actions to be responsive to the recommendation.

FINDINGS AND RECOMMENDATIONS

<p>FINDING 2: OFFICE OF NOTARY COMMISSIONS AND AUTHENTICATIONS</p>

SYNOPSIS

Our audit revealed that the ONCA had weak internal controls over the processes for authorizing financial transactions and creating and retaining records that support financial transactions. The ONCA did not maintain pertinent financial records such as payors' receipts and revenue reports. Further, financial transactions were not processed and authorized timely. Lastly, the ONCA did not have adequate written policies or procedures governing revenue collection, and the ONCA's office operations manual was outdated. The operations manual did not include office operations and functions that are currently performed by the ONCA. As a result, there are risks of lost revenue due to weak internal controls over ONCA's financial transactions.

DISCUSSION

Review of Financial Records. We found that the ONCA did not have complete and reliable documentation of transactions for FY 2003 and FY 2004. The ONCA only maintained payors' receipts and weekly revenue reports beginning October 1, 2004, thru December 31, 2004. The audit determined that the tracking logs were illegible, resulting in our not being able to perform necessary audit tests. ONCA management informed us that supporting documentation is only maintained for 1 fiscal year. At the beginning of a new fiscal year, the prior year's documentation of transactions is discarded. ONCA management stated that they have adopted this practice because the ONCA lacks adequate office and filing space. As a result, our testing was limited and we were unable to determine the effectiveness and accuracy of the authorizing and recordkeeping of transactions. Below is a description of the supporting documentation ONCA could not provide or documentation that was illegible and unauditible.

- ***Payors' Receipts.*** We found that the ONCA had two types of payors' receipts, one that was pre-numbered and one that was not. The pre-numbered receipts are used only when the ONCA issues "A" Certificates, while the un-numbered receipts were used for all other services the ONCA provided. The ONCA did not have copies of the payors' receipts for the years under audit, therefore we could not perform a test of the actual revenue receipts versus the actual revenue deposits. However, we were able to conduct a test of the Loomis Fargo deposit slips and the SOAR revenue receipts. The results of our testing are reported in Table 4 under the section titled *Reporting and Recording of Revenue* on page 21.

FINDINGS AND RECOMMENDATIONS

- ***Weekly Revenue Reports.*** Weekly revenue reports are individual reports prepared by each ONCA employee that list the cost and service rendered. The ONCA could only provide weekly revenue reports from October – December 2004 for our review. With only 3 months of weekly revenue reports available, we were not able to conduct a thorough review of the ONCA’s revenue collections.
- ***Tracking Logs.*** ONCA maintains three tracking logs to account for the Apostilles/Police Clearance, Foreign Certificates, and “A” Certificates issued. We attempted to review and perform tests of the logs, but the hand written data was illegible. Each log is designed to document the date, service rendered, cost, and the staff member that provided the service.

The ONCA did not maintain pertinent financial records that were needed to conduct a complete and effective test of the entire revenue process, which limited the scope of our audit. Therefore, we performed minimal testing of the revenue process and were only able to verify money deposited that comprised a sufficient audit trail.

Verifying, Depositing, and Recording Revenue Receipts. The ONCA generates revenue from the sale of certificates, processing passport applications, applications from aspiring notaries public, and renewal of notary public commissions. The ONCA did not have any written office policies or procedures governing the processes for the revenue collection.

Verifying Revenue Receipts. Our review revealed that the ONCA Chief did not verify or approve the weekly revenue reports, nor did the ONCA Chief conduct a reconciliation of the payor’s receipt to the certificate logs. The Chief also does not review the revenue received by staff until the end of the week. The ONCA has two specialists who are responsible for providing services that generate revenue daily. These specialists keep the money collected daily and the payors’ receipts until the end of the week, when they forward the money to the ONCA Chief. The Chief is responsible for verifying the money and preparing it for deposit. Without a daily reconciliation of revenue receipts, there is a potential for misuse or theft of revenue. The payors’ receipts (some of which are not pre-numbered) could be easily discarded, and there would be no evidence that a financial transaction occurred without the knowledge of the ONCA Chief. A reconciliation of payor’s receipt to the certificate logs could help validate the accuracy of revenue recording and collection by ONCA staff. In addition, implementing the use of pre-numbered payors’ receipts for all transactions would contribute to strengthening internal controls.

FINDINGS AND RECOMMENDATIONS

Depositing Revenue Receipts. The ONCA Chief prepares the money for deposit once a week. The Chief separates the payors' receipts from the money. The Chief then separates the money, placing cash in one bag and checks and money orders in another. A Wells Fargo deposit slip is needed for each bag, but a SOAR revenue receipt is only needed for the grand amount of the entire transaction for that day. The SOAR revenue receipt is signed and approved by the Office of Finance and Treasury officials and returned to the ONCA for filing. According to the ONCA management, deposits should be made weekly to the Office of Finance and Treasury; however, we found that the ONCA was making weekly deposits inconsistently.

Additionally, our review found the ONCA's Chief was making bi-weekly deposits rather than daily deposits as stated in the Office of the Chief Financial Officer's Policies and Procedures Manual. The ONCA's practice of making bi-weekly deposits increased the risk of theft, and the loss of revenue.

Recording Revenue Receipts. We performed tests of the Office of Finance and Treasury report, which lists the amount of revenue deposited in FY 2003 and FY 2004 versus ONCA financial records. We traced deposit slips to the Office of Finance and Treasury report to determine if the amount recorded by ONCA accurately reflected the amount recorded by the Office of Finance and Treasury. We also determined whether a SOAR Revenue Receipt was prepared for each deposit that would verify the accuracy of the recorded revenue for FY 2003 and FY 2004.

FY 2003

We reviewed ONCA FY 2003 deposits slips, SOAR revenue receipts, and the Office of Finance and Treasury reports to determine if a supervisory review was performed of the revenue collections and the recorded revenue. We found that the deposit slips, SOAR revenue receipts, and the Office of Finance and Treasury reports/documents each had different amounts. Table 4 below shows the type and amount of the transactions that occurred in fiscal year 2003.

Table 4. ONCA FY 2003 Financial Records vs. Office of Finance and Treasury

Type of Transaction	Amount
Deposit Slips	\$273,827
SOAR Revenue Receipts	\$130,425
Office of Finance and Treasury Report	\$316,227

FINDINGS AND RECOMMENDATIONS

However, it should be noted that the Office of Finance and Treasury report amounts were higher than the amounts recorded on the deposit slips and SOAR revenue receipts. The ONCA did not accurately record revenue, nor did ONCA maintain the appropriate documentation to support the recorded amounts deposited to the Office of Finance and Treasury. Inaccurately recorded revenue was attributed to missing records and the failure to record revenue received. In addition, there was no documented supervisory review of the documents we examined. The lack of a supervisory review contributed to the inaccurate financial reports prepared by ONCA staff.

FY 2004

Our review of ONCA financial records for FY 2004 revealed that the deposit slips and the Office of Finance and Treasury report had a \$100 difference. In addition, the SOAR revenue receipts differed from the deposit amount recorded by the Office of Finance and Treasury in the amount of \$43,171.

Table 5. ONCA FY 2004 Financial Records vs. Office of Finance and Treasury

Type of Transaction	Amount
Deposit Slips	\$324,659
SOAR Revenue Receipts	\$281,488
Office of Finance and Treasury Report	\$324,759

The ONCA either did not maintain all necessary financial records to support their financial transactions, or never prepared the appropriate documentation for processing financial transactions. ONCA did not have payors' receipts for FY 2004 that would list the actual revenue received from customers. Therefore, we were unable to verify the actual receipt of money and the accuracy of authorizing and recording transactions.

Passport Processing. ONCA began accepting passport applications in September 2004. The cost for a passport is \$85 dollars, which includes the cost of the passport itself (\$55), plus a District processing fee (\$30). An expedited passport application request costs an additional \$60. The money collected by ONCA is submitted along with the passport applications directly to the U.S. Department of State.

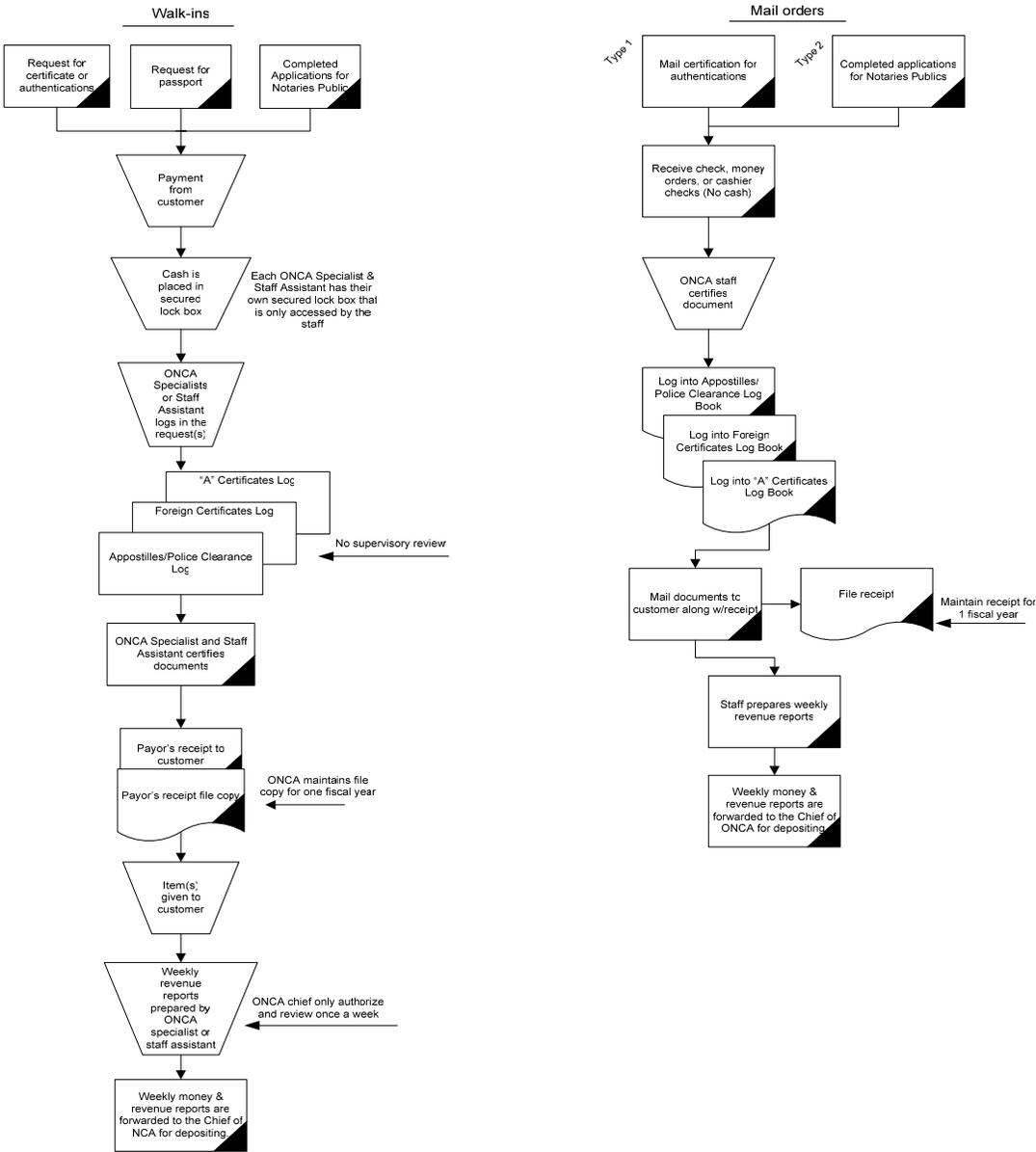
FINDINGS AND RECOMMENDATIONS

We verified the numbers of passport applications received and traced the amount to ONCA financial records. The ONCA maintains a passport log containing transmittal sheets that are provided by the U.S. Department of State. We found that the ONCA had processed 54 passport applications. The ONCA passport log contained data from October 2004 thru January 2005. The revenue generated from this period was \$4,340, of which, the District received \$1,620 as processing fees for accepting the passport applications. Although, the U.S. Department of State transmittal sheets totaled \$1,620 for processing fees, our review of the ONCA weekly revenue reports revealed that the ONCA recorded only \$600 in processing fees, indicating that ONCA did not properly record revenue on the weekly revenue reports. In addition, we found no controls over the handling and recording of cash when processing passport applications. We also found no evidence of supervisory reviews over passport application processing. Finally, we could not verify the actual revenue deposited from processing passports because the ONCA does not record each revenue source (i.e., mail orders, authentications, and passport applications) in their financial records. All revenue collected is recorded as an aggregate amount.

There are two flowcharts on the following two pages that describe in detail the revenue collection and revenue depositing processes. These flowcharts outline the deficiencies found during this review, such as weak internal controls in the verification, deposit, and recording of financial transactions, as well as, the lack of supervisory reviews.

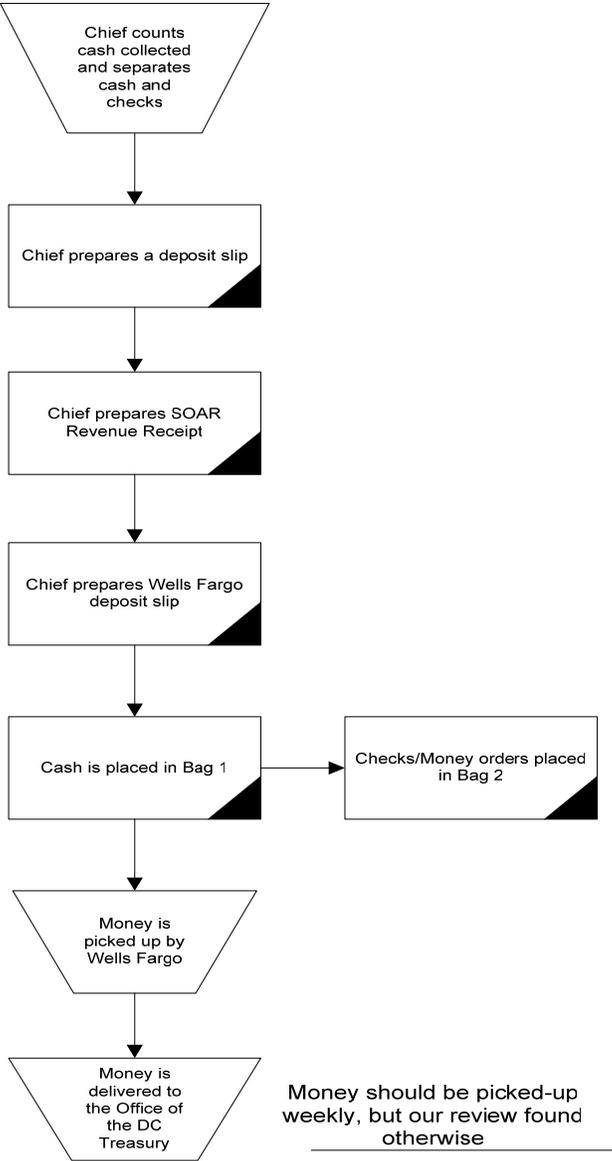
FINDINGS AND RECOMMENDATIONS

OFFICE OF NOTARY COMMISSIONS AND AUTHENTICATIONS REVENUE COLLECTION PROCESS



FINDINGS AND RECOMMENDATIONS

**OFFICE OF NOTARY COMMISSIONS AND AUTHENTICATIONS
REVENUE DEPOSIT PROCESS**



FINDINGS AND RECOMMENDATIONS

Segregation of Duties. Our review revealed that the ONCA's Chief performs most of the key functions over the revenue processes conducted at the ONCA. The ONCA Chief processes, authorizes, and records financial records, and the Chief counts the revenue collected, prepares the deposit slip, and prepares the SOAR revenue receipts. Key functions should be divided among the ONCA staff. We believe that the ONCA Chief should only review and authorize financial transactions. When an employee has control over collecting revenue, recording transactions, and authorizing transactions, it increases the risks that funds may be misappropriated and accounting records could be falsified to hide fraudulent activity.

ONCA Written Policies and Procedures. The ONCA's office manual has not been revised since March 1991 and did not include all of the functions for which ONCA is responsible such as:

- processing passport applications (started in September 2004);
- cash collection at the point of sale for passports, certifications, and new and renewal applications for notary public commissions;
- procedures governing the revenue collection (to include procedures for the recording revenue and performing reconciliations); and
- adequate procedures for processing mail order requests.

In order to have an effective internal control structure, management should establish written policies and procedures outlining all key financial processes, procedures, and functions of the organization.

RECOMMENDATIONS

We recommend that the Secretary of the District of Columbia direct the ONCA Chief to:

9. Develop ONCA policies and procedures requiring that all financial documents be maintained for a maximum of 5 years, and develop a record retention schedule within the ONCA that sets forth the type of document and a reasonable timeline for maintaining and discarding all ONCA documents.
10. Operate within the Office of the Chief Financial Officer establish guidelines for making timely and daily deposits of revenue to the Office of Finance and Treasury.

FINDINGS AND RECOMMENDATIONS

11. Update the ONCA office manual to include written office policies governing all operating functions, such as processing passport applications, mail orders, revenue collection, and employees' job responsibilities.
12. Perform periodic, preferably daily, supervisory reviews of work performed by staff to ensure that errors are detected and corrected; conduct weekly reconciliations over financial transactions; and perform a reconciliation of ONCA financial records with the amounts recorded by the Office of Finance and Treasury.
13. Segregate the duties for performing key functions such as processing, reviewing, authorizing and recording of financial transactions.

RECOMMENDATION 9

ONCA Response

ONCA concurred with this recommendation and stated that effective February 20, 2006, that they will retain all financial records for five years and records older than five years will be forwarded on a monthly basis to the Office of Archives and Records.

OIG Comment

ONCA's corrective actions are responsive and meet the intent of the recommendation.

RECOMMENDATION 10

ONCA Response

ONCA concurred with this recommendation and has established guidelines for making timely deposits of revenue to the Office of the Finance and Treasury.

OIG Comment

We consider ONCA's actions to be responsive to the recommendation.

FINDINGS AND RECOMMENDATIONS

RECOMMENDATION 11

ONCA Response

ONCA stated in its response that they concurred with the recommendation. ONCA states that they have completed and updated ONCA's office manual and the Revenue Procedure Guide that was effective September 1, 2005.

OIG Comment

ONCA's corrective actions are responsive and meet the intent of the recommendation.

RECOMMENDATION 12

ONCA Response

ONCA concurred with this recommendation. ONCA stated in its response that management will expand controls in reviewing all financial documents prepared by ONCA staff. This process will be implemented on or before February 1, 2006.

OIG Comment

ONCA's corrective actions are responsive and meet the intent of the recommendation.

RECOMMENDATION 13

ONCA Response

ONCA concurred with this recommendation. ONCA stated in its response that it will implement procedures to segregate duties in performing key functions. These procedures were to become effective February 1, 2006.

OIG Comment

ONCA's corrective actions are responsive and meet the intent of the recommendation.

**EXHIBIT A: SUMMARY OF POTENTIAL BENEFITS
RESULTING FROM AUDIT**

Recommendation	Description of Benefit	Amount and Type of Benefit	Status¹
1	Internal Control. Establishes internal controls that would separate key functions such as, authorizing and recordkeeping of financial transactions within ODAI.	Non Monetary.	Open
2	Internal Control. Provides an assessment of current operations being performed by ODAI staff and ensures that qualified individuals are assigned appropriate job functions.	Non Monetary.	Open
3	Internal Control. Establishes controls over recording revenue in order to identify and capture each revenue stream as a line item in ODAI financial records.	Non Monetary.	Open
4	Internal Control. Develops a computerized inventory system to track items purchased, sold, and available for sale within ODAI.	Non Monetary.	Open
5	Internal Control. Provides ODAI with an immediate record of inventory on-hand and available for sale.	Non Monetary.	Open

¹ This column provides the status of a recommendation as of the report date. For final reports, “**Open**” means management and the OIG are in agreement on the action to be taken, but action is not complete. “**Closed**” means management has advised that the action necessary to correct the condition is complete. “**Unresolved**” means that management has neither agreed to take the recommended action nor proposed satisfactory alternative actions to correct the condition.

**EXHIBIT A: SUMMARY OF POTENTIAL BENEFITS
 RESULTING FROM AUDIT**

Recommendation	Description of Benefit	Amount and Type of Benefit	Status¹
6	Internal Control. Develops written policies and procedures outlining the processing of revenue, mail orders, reconciling financial transactions, and the development of inventory procedures. The procedures should identify staff that will be responsible for each task.	Non Monetary.	Open
7	Internal Control. Establishes controls to ensure that ODAI management provides constant oversight over all ODAI operations and processes.	Non Monetary.	Unresolved
8	Internal Control. Ensures that ODAI makes timely and daily deposits to the Office of Finance and Treasury.	Non Monetary.	Open
9	Internal Control. Results in ONCA financial records being maintained for a maximum of 5 years.	Non Monetary.	Open
10	Internal Control. Ensures that ONCA makes timely and daily deposits to the Office of Finance and Treasury.	Non Monetary.	Open

**EXHIBIT A: SUMMARY OF POTENTIAL BENEFITS
 RESULTING FROM AUDIT**

11	Internal Control. Ensures that ONCA's written polices and procedures include all functions of the office and provide written guidance to the staff.	Non Monetary.	Open
12	Internal Control. Ensures that the ONCA Chief provides proper oversight and monitoring over all financial functions and operations, and performs weekly reconciliations with ONCA. Ensures that errors are detected and corrected in a timely manner.	Non Monetary.	Open
13	Internal Control. Establishes internal controls that would separate key functions such as processing, reviewing, authorizing, and recording financial transactions within ONCA.	Non Monetary.	Open

EXHIBIT B: OFFICE OF THE SECRETARY'S RESPONSE TO DRAFT REPORT

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Executive Secretary

05 FEB -8 PM 2:59



Patricia Elwood
Interim Secretary of the District of Columbia

February 8, 2006

Mr. Charles Willoughby
717 14th Street, NW, 5th Floor
Washington, DC 20005

Dear Mr. Willoughby:

I am in receipt of the draft report OIG NO. 05-2-05BA, summarizing the results of the Office of the Inspector General's Audit of the Revenue Collected in the Office of the Secretary of the District of Columbia.

Having familiarized myself with the findings, observations, and recommendations made in this report, I conferred several times with both the Chief of the Notary Commissions and Authentications Section (ONCA) and the Administrator of the Office of Documents and Administrative Issuances (ODAI), and shared the contents of the report with both of them. Because I am relatively new in this position (having assumed the office in October of 2005), I am grateful for the information that has been imparted in this report.

After speaking about the report with the Chief of ONCA, I asked her to address the recommendations with her staff, make conclusions about improvements to process, and put these responses in writing. I am satisfied with the stated responses and am enclosing her proposed methodology to initiate reform measures (See Enclosure A). The reform measures as stated in the enclosure went into effect at the beginning of this week, February 6, and the new booklet outlining the new procedures is also enclosed for your review (See Enclosure B). This pamphlet will be distributed and also displayed in several visible places in the office. After one month's time, the Chief and the Interim Secretary will discuss the new procedures and assess the strengths and vulnerabilities; making changes if necessary. I will continue to monitor the procedures with the Chief on a regular basis. Although not listed as a recommendation in the audit report, the Interim Secretary would like to eliminate the intake of any cash in ONCA and is working toward this end.

A response to the findings and the recommendations of the audit report by the Administrator of ODAI is found in (Enclosure C). While the Administrator has addressed suggested changes in process as outlined in the audit, the Interim Secretary will continue to meet with the Administrator to expand on these procedures. This comment applies particularly to answers #1, #2, and #3 as they relate to disbursement of responsibility.

1350 Pennsylvania Avenue, NW, Washington, DC 20004 (202) 727-6306

EXHIBIT B: OFFICE OF THE SECRETARY'S RESPONSE TO DRAFT REPORT

Charles J. Willoughby
Page Two

There are three positions in this office that are vacant and hiring people to fill these will help alleviate some of the problems, implement the remedies, and change the dynamics in the office. The Office of the Secretary is working on this.

Response #4, # 5 and #6 are satisfactory and, when completed, will facilitate the ease in which inventory is known and for which it is accounted. The Office of the Secretary will work with ODAI to allocate the funds and resources necessary to appropriate equipment needed to automate their inventory and to expedite the receipt of a new cash register from the Office of the Chief Financial Officer. The Administrator states in his report that a physical audit on inventory on-hand as well as an up-to-date pamphlet stating new procedures and processes in ODAI will be completed by February 10. Since it is felt that these new measures are not yet refined enough to cover the recommendations suggested in the audit, the Interim Secretary will ask the Administrator to wait for this initial task to be completed before anything is published. A deadline date of March 10, 2006, will be imposed. Response #7 addresses the OIG's recommendation and the Administrator's assent to provide the intensive oversight necessary to assure quality internal control. The Administrator and the Interim Secretary will convene to set in place procedures that spread the record-keeping to everyone and create an effective and smooth process. Acknowledgment of the fact that daily deposits should be made is acceptable and the Interim Secretary is satisfied that no cash is accepted in the ODAI office. In future meetings with the Administrator and his staff, we will refine the responses in the necessary areas to the audit recommendations.

I am hopeful that we now have in place in ONCA adequate management and internal controls over the revenue collection process and that all requirements of applicable laws, regulations, policies and procedures are being followed. I am also hopeful that we are working towards the same with ODAI.

Thank you for your patience with me regarding a preliminary response to the Office of the Inspector General's draft report OIG NO. 05-2-05BA. I am happy to answer any questions you may have, to meet with you about any follow-up meetings that occur with ONCA and ODAI, and I am certainly willing to receive any further advice.

Sincerely,



Patricia Elwood
Interim Secretary of the District of Columbia

Enclosures

Enclosure A: Response from the Office of Notary Commissions and Authentications
Section

Enclosure B: Notary Commissions and Authentications' Procedures Manual

Enclosure C: Response from the Office of Documents and Administrative Issuances

EXHIBIT C: OFFICE OF DOCUMENTS AND ADMINISTRATIVE ISSUANCES RESPONSE TO DRAFT REPORT

ODAI'S RESPONSE TO RECOMMENDATIONS

1. Internal Control. Establishes internal controls that would separate key functions such as authorizing and recordkeeping of financial transactions within ODAI.

ODAI adopts recommendation # 1 of the Draft Report.

The Administrative Officer, unless in exceptional circumstances, will not be required to assist in the conduct sales of publications to customers and collect receipts. At the close of business each day, the administrative officer will count the daily receipts and items sold, reconcile the amounts with the daily receipts book and records such amounts on a form which includes the title of each publication available for sale, the price of such publication, the number of such publications in inventory, the number of publications sold, and the total amount of revenue collected from the sale of each publication. A copy of the form is attached hereto. The Administrator will review the data provided on the form to confirm its accuracy.

2. Internal Control. Provides an assessment of current operations being performed by ODAI staff and ensures that qualified individuals are assigned appropriate job functions.

ODAI adopts recommendation #2 of the Draft Report. The ODAI Administrator has reassessed current operations being performed by ODAI staff. The ODAI Administrator's preliminary assessment is that current staff have been assigned appropriate job functions and have the requisite qualifications to perform work

EXHIBIT C: OFFICE OF DOCUMENTS AND ADMINISTRATIVE ISSUANCES RESPONSE TO DRAFT REPORT

assignments. Due to staffing deficiencies which will be alleviated, but not vacated, with the hiring of employees to fill at least three vacancies, current staff has been required to perform work created by the vacancies as "other duties as may be assigned."

3. **Internal Control** Establishes controls over recording revenue in order to identify and capture each revenue stream as a line item in ODAI financial records.

ODAI adopts recommendation #3 of the Draft Report.

As noted in response to recommendation #1, At the close of business each day, the administrative officer will count the daily receipts and items sold, reconcile the amounts with the daily receipts book and records such amounts on a form which includes the title of each publication available for sale, the price of such publication, the number of such publications in inventory, the number of publications sold, and the total amount of revenue collected from the sale of each publication. A copy of the form is attached hereto. The Administrator will review the data provided on the form to confirm its accuracy.

4. **Internal Control.** Develops a computerized inventory system to track items purchased, sold, and available for sale within ODAI.

ODAI adopts recommendation #4 of the Draft Report. ODAI will continue to work with the Office of the Chief Technology Officer and the Office of Finance and Treasury to find a solution to automate the inventory of ODAI. ODAI has been advised that the office has been selected to receive one of the new cash registers procured by the Office of the Chief Financial Officer.

5. **Internal Control.** Provides ODAI with an immediate record of inventory on-hand and available for sale.

ODAI adopts recommendation #5 of the Draft Report. ODAI conduct a physical count of the inventory on-hand by February 10, 2006. ODAI, with the assistance of staff from the Office of Public Records, has placed copies of titles of the District of Columbia Municipal Regulations on the shelves in the storage room of the cellar of One Judiciary Square. The shelving in the storage room accommodate approximately forty percent (40%) of the inventory of ODAI's publications. The remaining inventory in the basement has been arranged so that DCMR are stored in boxes according to title.

6. **Internal Control.** Develops written policies and procedures outlining the processing of revenue, mail orders, reconciling financial transactions, and the development of inventory procedures. The procedures should identify staff that will be responsible for each task.

ODAI adopts recommendation #6 of the Draft Report. By February 10, 2006, ODAI will have developed written policies and procedures which outline the

EXHIBIT C: OFFICE OF DOCUMENTS AND ADMINISTRATIVE ISSUANCES RESPONSE TO DRAFT REPORT

processing of revenue, mail orders, reconciling financial transactions, and the development of inventory procedures, and the staff member(s) which shall be responsible therefor:

7. Internal Control. Establishes controls to ensure that ODAI management provides constant oversight over all ODAI operations and processes.

ODAI objects and takes great exception to recommendation #7 to the extent that it expresses or implies that ODAI's Administrator does not provide for the constant oversight over all ODAI operations and processes. Contrariwise, the ODAI Administrator closely supervises all of the activities and operations of ODAI's staff. The ODAI Administrator routinely corrects errors on, or provides comments regarding, written materials prepared by, or subject to the review of, ODAI staff. OIG's findings and recommendations with respect to the oversight of ODAI operations and processes appears to be based on the serious misunderstanding that the core operations of ODAI involve the sale of publications and collection of monies, and completely disregards the legal and other substantive duties involved in the key daily activities and operations of ODAI. Consistent with OIG's recommendation, however, the OIG Administrator, in addition to requiring the administrative officer to provide him with monthly reports, will provide for intensive oversight over the sales, receipts, and inventory processes of ODAI on a daily basis.

8. Internal Control. Ensures that ODAI makes timely and daily deposits are made to the Office of Finance and Treasury.

ODAI adopts recommendation #8 of the Draft Report. Effective February 3, 2006, ODAI will make timely, daily deposits to the Office of the Secretary, even when the amounts of the daily sales receipts collected are less than twenty dollars (\$20.00).

EXHIBIT D: OFFICE OF NOTARY COMMISSIONS AND AUTHENTICATIONS RESPONSE TO DRAFT TO DRAFT REPORT

CONFIDENTIAL

MEMORANDUM

TO: Patricia Elwood
Interim Secretary of the District of Columbia

FROM: Rosslyn P. Brown
Chief, Notary Commissions and Authentications Section

SUBJECT: Response to Draft Report OIG No. 05-2-05BA

DATE: January 26, 2006

Findings and Recommendations by OIG

Finding 2: Office of the Notary Commissions and Authentications Section

Synopsis: "Our audit revealed that the ONCA had weak internal controls over the processes for authorizing financial transactions and creating and retaining records that support financial transactions. The ONCS did not maintain pertinent financial records such as payors' receipts and revenue reports. Further, financial transactions were not processed and authorized timely. Lastly, the ONCA did not have adequate written policies or procedures governing revenue collection, and the ONCA's office operations manual was outdated. The operations manuals did not include office operations and functions that are currently performed by the ONCA. As a result, there are risks of lost revenue due to weak internal controls over ONCA's financial transactions.

Response to OIG Finding 2:

- I. **Our audit revealed that the ONCA had weak internal controls over the processes for authorizing financial transactions and creating and retaining records that support financial transactions.**

EXHIBIT D: OFFICE OF NOTARY COMMISSIONS AND AUTHENTICATIONS RESPONSE TO DRAFT TO DRAFT REPORT

I. ONCA's Status Based on OIG Review

The Notary Commissions and Authentications Section, of the Office of the Secretary adopt OIG's recommendation to retain all financial records, inclusive of all receipts, for 5 years. The Notary Commissions and Authentications Section adopt OIG Recommendation No. 9.

ONCA will forward its records to the Office of Archives and Records, on a monthly basis. This process becomes effective February 20, 2006.

II. Internal Control – Ensures that ONCA's written policies and procedures include all functions of the office and provide written guidance to the staff.

2. ONCA's Status Based on OIG Review

The Notary Commissions and Authentications Section Office Manual was completed on June 30, 2005 and the Revenue Procedure Guide was completed on September 1, 2005. Both manuals have been recently updated effective September 1, 2005. This date was after the OIG conducted the on-site office visit in conformity with the audit.

The staff (which consists of three full time employees and a Chief) were provided copies of both the Revenue Procedure Guide and the Office Manual.

The OIG's recommendations concerning internal control in terms of ensuring that ONCA's written policies and procedures include all functions of the office and provide written guidance to the staff has been in existence since September 1, 2005. The Revenue Procedure Guide shall be amended to include OIG Recommendation No. 13, on or before April 15, 2006. The Notary Commissions and Authentications Section adopt OIG Recommendation No. 11.

III. Internal Control. Ensures that ONCA make timely and daily deposits to the Office of Finance and Treasury.

3. ONCA Deposit Status Based on OIG Review:

The revenue collected by staff is maintained in a steel box used for storing money while staff is processing authentication and commission requests. Revenue collected by staff will be presented on a daily basis to the Chief. The Chief has a Vault where the daily collections will be maintained. The revenue will be deposited the following morning.

The Notary Commissions and Authentications Section adopt OIG Recommendation No. 10 by making daily deposits.

EXHIBIT D: OFFICE OF NOTARY COMMISSIONS AND AUTHENTICATIONS RESPONSE TO DRAFT TO DRAFT REPORT

IV. Internal Control. Ensures that the ONCA Chief provides proper oversight and monitoring over all financial functions and operations, and performs weekly reconciliations with ONCA. Ensures that errors are detected and corrected in a timely manner.

Response to OIG-4

The Notary Commissions and Authentications Section, adopts OIG-Recommendation 12 and this process will be implemented on or before February 1, 2006.

4. ONCA'S Status Based on OIG Review

The Chief will expand controls by reviewing receipts against the money collected, checking the money collected with the amount received from Mr. Ronnell Ferguson and reviewing all Revenue Collection Logs against receipts and money received daily.

V. Response to OIG-5

5. ONCA'S Status Based on OIG Review

The Notary Commissions and Authentications Section adopt OIG Recommendation No. 13. Effective February 1, 2006, Ms. Ogburn, Ms. Minnis and Mr. Ferguson will continue to process revenue collections on a daily basis as they do now.

However, Ms. Ogburn and Ms. Minnis will be required to take their money to Mr. Ferguson, who will re-count Ms. Ogburn and Ms. Minnis' collections before he clears the money for acceptance. Mr. Ferguson will be required to record the amount of money received from Ms. Minnis and Ms. Ogburn. Mr. Ferguson is required to maintain a log on his desk showing the amounts of revenue collected from Ms. Minnis and Ms. Ogburn daily.

Mr. Ferguson's daily collection of revenues will be counted by the Chief and the money will be presented as one revenue collection total for that day.

Mr. Ferguson will submit the revenue collections to the Chief along with a copy of his findings. The Chief will count the revenue collections to assure consistency and accuracy.

The Chief prepares the money for revenue pick-up by Wells Fargo. Prior to Wells Fargo pick-up the Chief places the cash in a bag and the checks are placed in a separate bag. The Chief fills out both the cash and check deposit slips for the respective bags. The Chief is also responsible for the preparation of a SOAR Sheet which is consistent with the deposits. The SOAR sheet is submitted to DC Treasury. The Chief along with the SOAR sheet prepares the Government of the District of Columbia District Treasury Standard Deposit Ticket and a Wells Fargo Manifest.

EXHIBIT D: OFFICE OF NOTARY COMMISSIONS AND AUTHENTICATIONS RESPONSE TO DRAFT TO DRAFT REPORT

VI. CONCLUSION

The Notary Commissions and Authentications Section, of the Office of the Secretary, thrive to maintain the highest integrity and honesty in processing and collecting District of Columbia revenues.

The Notary Commissions and Authentications Section take pride in the duties and responsibilities delegated to it by the District of Columbia Government. The Staff recognizes that the collection of revenue and the reporting of the monies collected is one of the most honorable delegable tasks because the process involves money.

After reviewing the Draft Report of the OIG, the Notary Commissions and Authentications Section adopts the following recommendations proposed by the OIG:

- Recommendation 9
- Recommendation 10
- Recommendation 11
- Recommendation 12
- Recommendation 13.