



Audit of the Public Vehicles For-Hire Consumer Service Fund

November 2, 2017

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A Report by the Office of the District of Columbia Auditor
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Why ODCA Did This Audit

D.C. Code § 50-301.20(j) mandates the Office of the District of Columbia Auditor (ODCA) to conduct an audit of the Public Vehicles-for-Hire Consumer Service Fund ("Consumer Service Fund") at least once every three fiscal years. The Consumer Service Fund is a "revolving, segregated, non-lapsing fund" administered by the Department of For-Hire Vehicles (DFHV) and established by the District of Columbia Taxicab Commission Fund Amendment Act of 1988. This report determines the Consumer Service Fund balance for each of three fiscal years, FY 2014 through FY 2016, whether deposits and expenditures were properly recorded and complied with D.C. laws, and internal controls were sufficient to protect the Consumer Service Fund from waste, fraud, and abuse.

What ODCA Recommends

DFHV should:

- Continue to provide grants for Wheelchair Accessible Vehicle (WAV) purchase, rentals, and training based upon demand for WAV services.
- Establish relevant procedures available to staff who process initial and renewal license applications and who are responsible for performing reconciliations of initial and renewal license application fees, as well as communicate updates to policy.
- Develop an effective method to disseminate and communicate policies to all relevant staff.
- Install a physical control mechanism for retained receipts and scanned and validated checks and money orders.

For more information regarding this report, please contact Diane Shinn, Director of Communications, at diane.shinn@dc.gov or 202-727-3600.

What ODCA Found

- The Consumer Service Fund balance was approximately \$2.6 million for FY 2014, approximately \$2.0 million for FY 2015 and approximately \$2.4 million for FY 2016. Deposits and expenditures were made in compliance with D.C. law.
- DFHV did not spend the total amount of funds required to be spent to increase the number of wheelchair accessible vehicles.
- Revenue submitted by Digital Dispatch Services (DDS) and Payment Service Providers (PSP), along with fees collected by DFHV Client Services Department during FY 2014-FY 2016, was properly posted to the Consumer Service Fund.
- DFHV lacks standard operating procedures (SOPs) for several of its processes.
- DDSs are not required to provide documentary supporting evidence of total gross receipts.
- Physical control of some documents and assets in the Client Services Department could be improved.
- DFHV paid 22 invoices subject to the Quick Payment Act at least 30 days late, 5 of which were at least an additional 15 days late, and did not pay interest on these 5 eligible for interest as required.
- DFHV has not provided appropriate documents to indicate submission of monthly revenue reports to the D.C. Council as required by law.
- Excess Out-of-State Vehicle Registration Special Fund revenue was not transferred to the Consumer Service Fund as required.

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Background

The Office of the District of Columbia Auditor (ODCA) is mandated by D.C. Code § 50-301.20(j) to conduct an audit of the Public Vehicles For-Hire Consumer Service Fund (Consumer Service Fund) at least once every three fiscal years. The Consumer Service Fund is a “revolving, segregated, non-lapsing fund” administered by the Department of For-Hire Vehicles (DFHV).¹ The Consumer Service Fund was established by the District of Columbia Taxicab Commission Fund Amendment Act of 1988.²

In June of 2016, DFHV was established by the reorganization of the D.C. Taxicab Commission.³ According to the DFHV website, the agency is now “aligned with [its] mission to regulate the vehicle-for-hire industry,” including “taxis, limousines, private vehicle operators, digital dispatch services, [and] Payment Service Providers” and to manage “relationships with equipment manufacturers and insurance companies.” The former chairman of the D.C. Taxicab Commission, Ernest Chrappah, now serves as the director of DFHV.

Per D.C. Code, sources of revenue for the Consumer Service Fund are:

1. A 25-cent surcharge per taxicab ride paid through Payment Service Providers (PSPs),⁴ which provide approved taxicab meter systems to taxicab companies and independent owners.
2. Fees from the issuance and renewal of public vehicle-for-hire licenses.⁵
3. Funds collected from the Out-of-State Vehicle Registration Special Fund.⁶
4. An assessment, not to exceed \$50 per year, levied against taxicab and passenger vehicle-for-hire operators as determined by DFHV rule.⁷
5. An assessment of \$50 per year upon the issuance or renewal of each operator identification card license⁸.
6. Reasonable fees for the public passenger vehicle-for-hire license course and examination.⁹
7. One percent of all gross receipts for trips that physically originate in the District from companies that use digital dispatch services (DDs)

¹ D.C. Code § 50-301.20(a).

² D.C. Law 7-107, effective May 10, 1988. At that time, the Fund was named the Taxicab Commission Fund.

³ See D.C. Law 21-124, the “Transportation Reorganization Amendment Act of 2016”, effective June 22, 2016.

⁴ D.C. Code § 50-301.20(a)(1); 31 DCMR § 1103.1. PSPs provide approved taxicab meter systems to taxicab companies and independent owners and collect the passenger surcharge for each taxicab trip from the passenger and pay it to DFHV.

⁵ D.C. Code § 5-301.20(a)(2).

⁶ D.C. Code § 50-301.20(a)(3); D.C. Code § 5-1501.03(a).

⁷ D.C. Code § 50-301.20(a)(4); See also D.C. Code § 50-301.20(c).

⁸ D.C. Code § 50-301.20(a)(4); See also D.C. Code § 50-301.20(d).

⁹ D.C. Code § 50-301.20(a)(5); See also D.C. Code § 50-301.07(20), D.C. Code § 47-2829(e).

for private or public vehicles-for-hire other than taxicabs (e.g. Uber and Lyft).¹⁰

The D.C. Code states that the Consumer Service Fund:

1. "Shall be used to pay the costs incurred by the DFHV, including operating and administering programs, investigations, proceedings, and inspections, administering the Fund, and improving the District's vehicles-for-hire industry.
2. May be used to provide grants, loans, incentives, or other financial assistance to owners of licensed taxicabs legally operating and incorporated in the District to offset the cost of acquiring, maintaining, and operating wheelchair-accessible vehicles.
3. May be used to establish a program to provide a taxicab fare discount for low-income senior citizens aged 65 years and older and persons with disabilities.
4. May be used to provide grants, loans, incentives, or other financial assistance to owners of licensed taxicabs legally operating and incorporated in the District to incentivize the purchase and use of alternative-fuel vehicles, directing licensed taxicabs to underserved areas..."¹¹

D.C. Code directed DFHV to use the first \$4,700,000 deposited in the Consumer Service Fund in FY 2014 and 2015 to support operations, as described above in point (1), and to use \$750,000 of the remaining funds to "increase the number of wheelchair accessible public vehicles-for-hire" by providing grants or other financial assistance to owners of licensed taxicabs as described in point (2), above.¹²

The Economic Development and Regulation Cluster (EDRC) of the Office of the Chief Financial Officer (OCFO) shares responsibility with DFHV for some Consumer Service Fund revenue collection and vendor payment processes, which will be discussed later in the report.

¹⁰ D.C. Code § 50-301.20(a)(6); See also D.C. Code § 50-301.31(b)(11).

¹¹ D.C. Code § 50-301.20(b)(1).

¹² D.C. Code § 50-301.20(b)(2).

Objectives, Scope, and Methodology

Objectives

1. Determine the Consumer Service Fund balance for each of three fiscal years, FY 2014 through FY 2016.
2. Determine whether deposits and expenditures were properly recorded and complied with applicable D.C. laws and regulations.
3. Determine whether internal controls were sufficient to protect the Consumer Service Fund from waste, fraud, and/or abuse.

Scope

The period under audit was October 1, 2013, through September 30, 2016, FY 2014 through FY 2016.

Methodology

To determine the Consumer Service Fund balance for FY 2014, FY 2015, and FY 2016, we reviewed and verified expenses, revenues, and carryover balances for each fiscal year.

To determine whether deposits and expenditures were properly recorded and complied with applicable D.C. laws and regulations, we interviewed staff and reviewed applicable laws and memoranda of understanding. We also:

- Compared documentation of trip counts and out-of-state vehicle registrations with fees collected by Payment Service Providers (PSPs) and the DMV, respectively, to revenue recorded in the District's System of Accounting and Reporting (SOAR).
- Reviewed and compared SOAR data with a sample of reports on deposits by DDSs,¹³ documentation of a sample of cashiered transactions,¹⁴ and documentation of registration and license issuance, renewals, and associated fees. We used a sampling method for DDSs and cashiered transaction records because of the large number of records for each.

¹³ DFHV has received revenue from DDS companies since 2014. The Vehicle-for-Hire Innovation Amendment Act of 2014, effective March of 2015, requires DFHV to collect one percent of all gross receipts for trips originating in the District of Columbia. See D.C.Law20-197. We randomly selected two quarters during each fiscal year to review DDS fees, using a random digit generator. The sample included two quarters, both in FY 2016, when the Vehicle-for-Hire Innovation Amendment Act of 2014 was in effect.

¹⁴ We reviewed cashiered transaction documentation for a sample of 15 business days per fiscal year, selected using a random digit generator.

- Observed cashiering operations at DFHV's Client Services Department located at 2235 Shannon Place SE, Washington, D.C.
- Reviewed expenditures from the Consumer Service Fund via payroll records and a sample of purchase orders.¹⁵ We reviewed a sample of purchase orders because of the large number of purchase orders with payments made during the audit period.

To determine whether internal controls were sufficient, we reviewed relevant DFHV and OCFO policies and procedures. We also:

- Reviewed position descriptions and permission settings for systems used to post and deposit Consumer Service Fund revenues and payments, looking especially for separation of duties.
- Examined processes designed to ensure accurate collection of revenue from PSPs and DDSs.
- Observed procedures and physical controls for cashiering operations in the DFHV Client Services Department.
- Reviewed supporting documentation for a sample of payment vouchers¹⁶ to determine if payment was appropriately controlled, and reviewed Quick Payment Act reports to determine the timeliness of vendor payments.
- Reviewed prior reports for previously identified internal control deficiencies.
- Reviewed standards for internal controls from the Government Accountability Office's Standards for Internal Control in the Federal Government, known as the Green Book.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

¹⁵ We randomly selected a statistically representative sample of 60 out of 196 total purchase orders created during the audit period.

¹⁶ We reviewed payment vouchers from a subsample of 15 of the purchase orders randomly selected from all purchase orders created during the audit period.

Audit Results

The Consumer Service Fund had a balance of approximately \$2.4 million at the end of FY16.

The Consumer Service Fund is a “revolving, segregated, [and] non-lapsing” account, consisting of expenditures and specific sources of revenues that can only be used for purposes as described earlier in the background section of this report. At the end of each fiscal year, money remaining in the Consumer Service Fund cannot revert to the District’s General Fund.¹⁷

Our review of collections and expenditures for FY 2014-FY 2016 found that money from the Consumer Service Fund carried over and did not revert to the District’s General Fund during FY 2014 and FY 2016. In FY 2015, approximately \$1.9 million was transferred to the District’s General Fund pursuant to the Fiscal Year 2016 Budget Support Act of 2015. The Designated Fund Transfer Act of 2015, a subtitle of the Fiscal Year 2016 Budget Support Act of 2015, directed the District’s Chief Financial Officer to transfer certified fund balances or revenues in FY 2015 from specific District funds and recognize them as FY 2016 local fund resources.¹⁸ In addition, the prior year cost recovery amounts of \$50 in FY 2015 and approximately \$61,000 in FY 2016 were year-end accruals, in anticipation of future payments, which were not paid and later moved to a prior year cost recovery account.

Figure 1: Consumer Service Fund Balance FY 2014-FY 2016

	FY 2014	FY 2015	FY 2016
Beginning balance	\$ 163,657.48	\$ 2,600,590.70	\$ 2,002,745.31
Revenues	\$ 6,432,844.77	\$ 7,566,285.11	\$ 8,639,133.13
Expenditures	\$ (3,995,911.55)	\$ (6,226,177.50)	\$ (8,300,125.32)
Budget Support Act transfer		\$ (1,938,003.00)	
Prior year cost recovery		\$ 50.00	\$ 61,145.50
Fund balance	\$ 2,600,590.70	\$ 2,002,745.31	\$ 2,402,898.62

Source: DFHV/CFOSolve

¹⁷ See generally, D.C. Code § 5-301.20(a).

¹⁸ D.C. Law 21-36.

DFHV did not spend the total amount of funds required to be spent to increase the number of wheelchair accessible vehicles (WAVs).

D.C. law required that the first \$4,700,000 of funds deposited into the Consumer Service Fund in FY 2014 and in FY 2015, be used to support the operations of the DFHV, and that “\$750,000 of the remaining funds deposited into the Fund each year shall be used to increase the number of wheelchair accessible public vehicles-for-hire.”¹⁹

We found that:

- In FY 2014, DFHV awarded two grants totaling \$203,200 for the purchase and/or retrofitting of vehicles to increase the number of WAVs. No such grants were awarded in FY 2015.
- In FY 2016, DFHV awarded 22 grants totaling \$337,500 for the purchase of and/or retrofitting of vehicles to increase the number of WAVs accessible vehicles.
- In FY 2015, DFHV awarded one grant totaling \$92,000 to assist drivers in renting WAVs and the associated training required to assist passengers with disabilities.
- In FY 2016, DFHV awarded 17 grants totaling \$378,746 for the same purposes.

DFHV officials told ODCA that as stewards of public funds they would not write a check for an individual or company based solely on the assertion that they were going to obtain a WAV. The individual or company first had to obtain the WAV or retrofit their existing vehicle to meet standards and obtain necessary training and have the WAV on the road before seeking reimbursement. These requirements may have been the cause of a limited number of applications for grants. DFHV indicated that they are continuing their efforts to issue WAV incentives.^{20 21}

Revenue submitted by DDSs and PSPs, along with fees collected by DFHV Client Services Department during FY 2014-FY 2016, was properly posted to the Consumer Service Fund.

According to D.C. Law, three of the sources of revenues for the Consumer Service Fund are:

1. A 25-cent surcharge per taxicab ride through PSPs.²²

¹⁹ D.C. Code §§ 50-301.20(b)(2)(A) and (B).

²⁰ <https://dfhv.dc.gov/release/incentive-program-rewards-hire-drivers-and-companies-complete-trips-wheelchair-accessible>

²¹ <https://dfhv.dc.gov/page/grant-funding>

²² D.C. Code § 50-301.20(a)(1); 31 DCMR § 1103.1. Payment service providers provide approved taxicab meter systems to taxicab companies and independent owners, and collect the passenger surcharge for each taxicab trip from the passenger and pay it to DFHV.

2. Fees and assessments collected from taxicab and passenger vehicle-for-hire operators.
3. One percent of all gross receipts for trips that physically originate in the District from Digital Dispatch Service (DDS) companies such as Uber and Lyft.

DDSs and PSPs are required to submit payment directly to a dedicated bank account. OCFO's process is to transfer the deposits and post the amounts to the Consumer Service Fund in SOAR, and to send a weekly report to DFHV on those deposits.

During FY 2014, FY 2015, and FY 2016, the sum of revenues recorded in the Consumer Service Fund from PSPs, transactions (including fees and assessments) collected by DFHV, and fees paid by DDSs, made up 98.9 percent, on average, of the revenues recorded in the Consumer Service Fund.

We selected a sample of daily cashiered transactions (fees and assessments collected by DFHV from taxicab and passenger vehicle-for-hire operators), revenue submitted quarterly by DDSs, and revenue submitted weekly by PSPs. We were able to validate the posting of the relevant daily, weekly, and quarterly revenues to the Consumer Service Fund and determined that any differences between deposit records and the Consumer Service Fund were immaterial.

We found that amounts posted to the Consumer Service Fund matched DDS and PSP deposits in their respective bank accounts throughout the audit period. We also found that OCFO provided weekly reports of DDS and PSP revenues submitted to DFHV for the whole audit period, and that these data reports were transmitted weekly beginning in mid-January, 2014.

DFHV lacks standard operating procedures (SOPs) for several of its processes, and agency officials have cited Administrative Issuance and regulations as the only source of materials that communicate policies and procedures.

Standards for internal control indicate that agency managers must develop and maintain documentation of an agency's internal control systems. Management also should demonstrate a commitment to integrity and ethical values by "using policies, operating principles, or guidelines to communicate the standards of conduct to the organization." In addition, the GAO's Standards for Internal Control in the Federal Government (Green Book) identifies a requirement to document responsibilities through policies which "management communicates to personnel...so that personnel can implement the control activities for their assigned responsibilities."

During the audit, ODCA staff asked DFHV officials to provide written SOPs for their processes. The processes described below lack SOPs.

Reconciliation of initial and renewal license application fees collected by cashiers. The program manager of the department cited an SOP document giving the supervisor of the Client Services Department the responsibility for “periodically” monitoring for accuracy. The program manager explained that he did in fact perform checks on a weekly basis, but was unable to provide any documents to support that reconciliations had been performed.

To ensure the accuracy of the fees and data collected and entered in databases, the Client Services Department should have a detailed, written policy on performing and documenting reconciliations.

Processing of initial and renewal license applications. During the period of our audit, DFHV had no SOPs for processing license applications. DFHV provided ODCA with SOPs created in February 2017 for processing applications and updating related information in two database systems, Salesforce and VIVO. However, the cashiers in the department reported at the end of March 2017, that they did not have access to a manual or written instruction about procedures.

When asked for training materials, announcements, or any similar materials that communicate policies and procedures related to making expenditures from the Consumer Service Fund or the collection of revenue to be deposited to the Consumer Service Fund, DFHV was unable to provide relevant documents. The lack of clear written policies and procedures for specific tasks and insufficient mechanisms to update staff on new changes or developments increase the risk that inaccurate revenues may be collected, either in excess of or below legal requirements, or that revenues could be fraudulently diverted from the Consumer Service Fund.

In accordance with the D.C. Code, DDSs provided written certification of 1 percent of their gross receipts but are not required to provide documentation in support of total gross receipts.

Since March 10, 2015, DDSs are required to pay DFHV a quarterly fee of 1 percent of gross receipts for trips originating in the District.²³ Recently, the amount of revenue in the Consumer Service Fund from DDSs has been increasing.

Appropriate internal controls require reconciliation of fees received with documentary evidence of total gross receipts. The GAO’s Standards for Internal Control in the Federal Government (Green Book) identifies the following requirement for transaction control activities:

Management may design a variety of transaction control activities for operational processes, which may include verifications,

²³ D.C. Code § 50-301.31(b)(11).

reconciliations, authorizations and approvals, physical control activities, and supervisory control activities. (emphasis added)

And the requirement for information collection to support identified information requirements:

Management obtains relevant data from reliable internal and external sources in a timely manner based on the identified information requirements...Reliable internal and external sources provide data that are reasonably free from error and bias and faithfully represent what they purport to represent. Management evaluates both internal and external sources of data for reliability.

While D.C. Code provides OCFO with sufficient authority to inspect DDS documents, the law does not require that OCFO do so.²⁴

We found that DDSs pay DFHV a quarterly fee with a letter certifying that the fee is equal to 1 percent of gross receipts for trips originating in the District. The law does not require DDSs to provide documentary supporting evidence of total gross receipts—and DDSs do not provide supporting evidence—leaving D.C. to rely on self-certification.²⁵ OCFO provided evidence that the Office of Integrity and Oversight and Economic Development Regulation Cluster officials met with Uber representatives in September 2016, to reconcile these fees with source data.²⁶ Based on OCFO's review of records of Uber for two quarters in FY 2016, an OCFO official stated that Uber was in compliance with the 1 percent gross receipts fee for the two quarters. Because of the reliance on self-certification, we are not able to confirm whether the correct fees are paid to D.C. by DDSs.

Although we found that DFHV and OCFO had internal controls in place sufficient to protect the Consumer Service Fund from waste, fraud, and abuse, physical control of some documents and assets in the Client Services Department could be improved.

We found that DFHV and OCFO had strong internal controls for most activities related to the Consumer Service Fund. For example, in the sample of payments against purchase orders we inspected, payment was only issued if purchase order, proof of receipt, and invoice were present. We did find, however, that document and asset controls in the Client Services Department could be improved.

The Client Services Department at DFHV assesses and collects fees for various services and documents, including operator identification card

²⁴ D.C. Code § 50-301.31(b)(11). Stating that the "...Office of the Chief Financial Officer *may* inspect records of the company..." (emphasis added).

²⁵ *Id.*

²⁶ Six DDSs operated in D.C. during the scope of the audit: Uber, Lyft, Side Car, Split Tech, Wheelz, and Via. Uber generated \$2,587,404 of total DDS revenues in FY 2016, and the other five DDSs collectively generated \$424,424 during the same period.

licenses and special permits.²⁷ We observed cashiering operations of the Client Services Department as well as end-of-day lockup procedures.

The GAO's Standards for Internal Control in the Federal Government identifies the following requirement for an organizations physical control of vulnerable assets:

Management should establish physical control to secure and safeguard vulnerable assets. Examples include security for and limited access to assets such as cash, securities, inventories, and equipment that might be vulnerable to risk of loss or unauthorized use.

ODCA found that the following document and asset controls procedures could be improved:

Operator identification card licenses and special permit decals. We found that blank operator identification card license stock was kept in a locked cabinet when not in use or under supervision. However, at the close of business, control of operator identification card licenses and special permits was not sufficient. We observed cashiering staff move the bin containing operator identification card licenses from the counter behind the cashiering stations to an office which remained occupied and unlocked. According to DFHV staff, the container was not locked in a file cabinet due to lack of space. Special permits, however, were not moved from the counter behind the cashiering stations, nor was the door to the cashiering stations area closed or locked.

Lack of physical control leaves operator identification card licenses and special permits vulnerable to theft. DFHV officials acknowledged in meetings with ODCA that special permit decals obtained without authorization could still be displayed in a vehicle, which ODCA notes, could give passengers and for-hire vehicle inspectors the mistaken impression that the operator was authorized to provide point-to-point service.

Daily transaction receipts, scanned money orders and checks. We also found that during the business day, most cashiers stored transaction receipts, scanned and validated money orders and checks under the keyboard at their station, the only place they had to put them. As a result, the documents were within reach of customers and not securely contained. During the business day receipts, money orders, and checks could be lost, compromising the documentation of the day's receipts. In addition, members of the public using the cashiering services could obtain sensitive information, such as an individual's or business's bank account number from a check.

²⁷ Special Permit means a decal that authorizes an operator to provide point-to-point service related to a special event, such as WMATA's Safetrack intensive maintenance program.

DFHV paid 22 invoices subject to the Quick Payment Act at least 30 days late, 5 of which were at least an additional 15 days late, and did not pay interest on these 5 eligible for interest as required.

The D.C. Government Quick Payment Act²⁸ (QPA) requires and the Executive has promulgated rules that specify that vendor payment be required on the date on which payment is due under the terms of the contract, or 30 calendar days, excluding legal holidays, after receipt of a proper invoice for the amount of the payment due, if a specific date on which payment is due is not established by contract.²⁹ The QPA further requires and the Executive has promulgated rules under which interest must be paid for each day payment is late beginning the 15th day after payment is required.³⁰

Payment of invoices was as follows:

- All invoices for payment were made within 30 days in FY 2014.
- Three invoices subject to QPA were paid after 30 days in FY 2015.
- Nineteen invoices subject to QPA were paid after 30 days in FY 2016.
- The average time from invoice receipt to payment for payments late under the QPA was approximately 62 days in FY 2015 and approximately 46 days in FY 2016.

OCFO officials informed ODCA that DFHV invoices have been sent to OCFO directly since FY 2016; previously, they were sent to DFHV, who sent them to OCFO for processing. This change is intended to improve payment processing efficiency and QPA adherence.³¹

Figure 2: Payment of Invoices, FY 2014-FY 2016

Invoices			Payments within 30 days			Invoices Subject to the Quick Payment Act Not Paid Within 30 Days			
FY	Total Count	Total Amount	Count	Amount	%	Count	Amount	%	Average # days
2014	75	\$493,553.18	75	\$493,553	100.0	0	\$0	0	0
2015	272	\$1,466,204.76	263	\$1,443,804	98.47	3	\$18,442	1.26	62.33
2016	325	\$3,903,392.53	282	\$3,053,198	78.22	19	\$185,591	4.75	46.26

Source: OCFO

²⁸ D.C. Code § 2-221.01 et seq.

²⁹ D.C. Code § 2-221.02(a)(2)(A)(ii) ; 1 DCMR § 1707. This applies to payments for goods and services.

³⁰ D.C. Code § 2-221.02(b)(1); 1 DCMR § 1709. This applies to payments for goods, property or services.

³¹ This issue was also identified in a prior ODCA audit of the Consumer Service Fund, then known as the District of Columbia Taxicab Commission Fund, for FY 2005-2009. The previous report found that D.C. Taxicab Commission (since reorganized as DFHV) had made late payments to six vendors totaling \$33,417.51, and that the Commission paid no interest to any of the 6 vendors who were paid late. ODCA DCTC Report, FY 2005-2009.

There were additional invoices for grants and settlements during both FY 2015 and FY 2016 that were not paid within the 30-day time frame, however, we did not include them in our analysis of invoices subject to interest because grant and settlement payments are not subject to the QPA. For the 22 invoices subject to the QPA, five were paid more than 45 days late and were therefore eligible for interest payment under QPA. No interest was paid on these five late payments during the audit scope. OCFO officials stated that they began paying interest as allowed under the QPA beginning October 1, 2016. Recent reports for QPA compliance show that all DFHV invoices were paid within 30 days from April to June of 2017.

Late payments and failure to pay interest in violation of the QPA could cost DFHV the services of cost-conscious vendors in the future.

DFHV has not provided appropriate documents to indicate submission of monthly revenue reports to the D.C. Council as required by law.

D.C. Code requires DFHV to submit monthly revenue reports to the D.C. Council each month.³² We asked DFHV to provide documentation of these revenue reports. Instead of 36 monthly reports covering the three fiscal years, DFHV provided a single report with monthly revenue details for FY 2014, FY 2015, and FY 2016. The report also lacked documentation to demonstrate that the report had been submitted to D.C. Council. DFHV staff stated that the single report was the only report provided to the Council. ODCA contacted D.C. Council staff, who stated that they had no record of reports submitted by DFHV. The absence of these reports renders DFHV unaccountable to the D.C. Council for its management of the Consumer Service Fund. DFHV officials stated they would reach out to the D.C. Council for the preferred format for the report and to confirm that its submission is required.

Excess Out-of-State Vehicle Registration Special Fund revenue was not transferred to the Consumer Service Fund as required.

Pursuant to D.C. Code § 50-310.20 (a)(3) the Consumer Service Fund, a non-lapsing fund, is to consist of a portion of revenues collected by the Department of Motor Vehicles (DMV) through the Out-of-State Vehicle Registration Special Fund (Special Fund), which is a lapsing fund.³³ D.C. Code requires that the first \$25 of each out-of-state registration fee deposited into the Special Fund shall be used for programs encouraging residents of the District of Columbia to pursue careers as a driver of a

³² See D.C. Code § 50-301.20(k)

³³ See D.C. Code § 50-1501.03a. Out-of-State Vehicle Registration Special Fund means the fund into which is deposited “all funds collected from the registration of a motor vehicle by a person not domiciled in the District of Columbia in excess of the funds that would have been collected from the registration of an equivalent motor vehicle by a person domiciled in the District of Columbia.

limousine or taxicab, or, if the Director of DFHV considers another use to be in the best interests of the proper regulation of the taxicab and limousine industries of the District of Columbia, to such other use.³⁴

D.C. Code requires that any revenues in excess of the required distribution of the \$25 mentioned above shall be used by DMV to defray the costs of operating the Special Fund, provided no revenues in excess of the actual costs of operating the Special Fund shall be used for this purpose.³⁵ Lastly, D.C. Code states that any revenues in excess of the \$25 mentioned above and those used by DMV to administer the Special Fund shall be deposited in the Consumer Service Fund.³⁶ The Out-of-State Vehicle Registration Fee during the period of our audit was \$100.

DFHV and DMV entered into a Memorandum of Understanding (MOU) each fiscal year of our audit scope to facilitate the transfer of revenues. The MOUs stated that DMV distribute to DFHV the first \$25 of each registration fee, retain \$25 of each registration fee to be used to defray the costs of administering the Special Fund, and distribute to DFHV any revenues more than those amounts. DMV and DFHV used Intra-District Advances to transfer funds.

The MOUs further stated that the total funds to be transferred were not to exceed \$200,000 per fiscal year and that, “based on past experience, the funds to be transferred are a best estimate of the amount that will be collected during the fiscal year, less the sum to be maintained by DMV,” and that “advances to DFHV shall not exceed the amount of this MOU.”³⁷ Each MOU stated however that, “prior to the conclusion of the fiscal year, should the estimate of the amount to be collected and transferred be inaccurate, the MOU will be amended to reflect correct amount to be transferred.”

Actual registration fee revenue collected by DMV and transferred to DFHV are detailed in the Figure 3 on the following page.³⁸ Revenues returned to DMV by DFHV are also detailed in the table.

³⁴ See D.C. Code §50-1501.03a(b)(1)

³⁵ See D.C. Code §50-1501.03a(2)

³⁶ See D.C. Code §50-1501.03a(3)

³⁷ The D.C. Code did not set a not to exceed amount.

³⁸ According to DMV officials, on a quarterly basis the balance of funds collected from Out-of-State Vehicle registration fees were assessed and 75% was transmitted to DFHV via an Intra-District transfer (the \$100 fee less the \$25 retained by DMV to administer the fee).

Figure 3: Registration Fee Revenue Collected by DMV and Transferred to DFHV, FY 2014 to FY 2015

Fiscal Year	Out –of-state Vehicle Registration Fees Collected (Fund 6100)	Amounts That Should Have Been Transferred- Revenue Collected Less 25% DMV Administrative Fee	Amounts Advanced to DFHV via Intra-District Transfer (Fund 7000)	Difference	Amount of Intra-District Advances Returned to DMV by DFHV
2014	\$298,635.00	\$223,976.25	\$226,282.01	\$2,305.76	\$42,751.58
2015	\$270,825.00	\$203,118.75	\$200,000.00	\$(3,118.75)	
2016	\$245,451.17	\$184,088.38	\$183,480.75	\$ (607.63)	\$1,500.00
Total	\$814,911.17	\$611,183.38	\$609,762.76	\$(1,420.62)	\$44,281.58

Source: DMV

We found that DMV transferred less than they should have in FYs 2015 and 2016. According to OCFO officials, in FY 2015 this was because they could not transfer more than the \$200,000 cap indicated in the MOU. However, ODCA noted that DMV advanced \$26,282.01 in excess of the \$200,000 cap in FY 2014. For FY 2016, DMV officials indicated that “...the difference is attributed to funds continuing to be collected through September 30, 2017, when funds can no longer realistically be intra-districted.” We could not confirm that a review of the MOU estimates (prior to the end of the fiscal year) or reconciliations were conducted at the end of each fiscal year to determine if the estimates in the MOUs were accurate or if accurate revenue amounts were transferred.

We did find that DFHV returned to DMV \$42,751.78 in FY 2014 and \$1,500 in FY 2016 in accordance with the MOU and OCFO intra-district advance requirements. DFHV indicated this was because DFHV did not have enough expenditures to charge against the full advance.³⁹

We found however that the excess revenues from the Special Fund were not transferred to the Consumer Service Fund, as required by D.C. Code §50-1501.03a (3) but were returned to the Special Fund. According to DMV officials, “the Special Fund (Fund 6100) is a lapsing fund. Therefore, when

³⁹ Per OCFO intra-district advance policies require that an intra-district advance must be returned to the Buyer Agency (DMV), if within two months of receipt of the advance from the Buyer Agency (DMV), the Seller Agency (DFHV) has not entered into the project/phase a valid encumbrance that represents a contract for goods or services, or expenditure that represent the receipt of goods or services.

the \$44,281 was returned at the end of the year, it lapsed into the General Fund because it was not available to DMV to use (i.e., due to year end)".

We found that because the excess funds were never transferred to the Consumer Service Fund, DFHV lost the future use of these funds.

Report Recommendations

The recommendations below are either budget neutral, potentially revenue generating and/or cost saving, and all help to advance the strategic goals of DFHV, DMV, and/or OCFO.

Recommendation	Budget Neutral	Potential Revenue Generating and/or Cost Saving	Advances Agency or District-Wide Goals
1. DFHV should determine the need or demand for Wheelchair Accessible Vehicles based on usage of WAVs currently in operation, and continue to provide grants for WAV purchase, rentals, and training based upon demand for these services.	X		To advance DFHV's FY 2017 Strategic Initiative to update and publish scorecard of wheelchair accessible vehicles (WAVs). ⁴⁰
2. DFHV should establish relevant procedures available to staff who process initial and renewal license applications and who are responsible for performing reconciliations of initial and renewal license application fees, as well as communicate updates to policy.	X		To improve and ensure standardization of DFHV's Account Management Operations. ⁴¹
3. DFHV should develop an effective method to disseminate and communicate policies to all relevant staff.	X		To improve and ensure standardization of DFHV's Account Management Operations. ⁴²
4. OCFO should perform reviews to verify gross receipts certified by DDSs to ensure that 1% fees submitted are accurate.		X	OCFO 2017-2021 Strategic Plan: "Improve Customer Service" and "Improve Transparency and Quality of Information." ⁴³
5. DFHV should install a physical control mechanism for retained receipts and scanned and validated checks and money orders.	X		To enhance DFHV's internal controls to help ensure protection of physical assets. ⁴⁴

⁴⁰ DFHV FY 2017 Performance Plan <https://oca.dc.gov/sites/default/files/dc/sites/oca/publication/attachments/DFHV17.pdf>

⁴¹ Ibid

⁴² Ibid

⁴³ Office of the Chief Financial Officer Strategic Plan. https://cfo.dc.gov/page/office-chief-financial-officer-strategic-plan_rev

⁴⁴ GAO's Standards for Internal Control in the Federal Government

Recommendation	Budget Neutral	Potential Revenue Generating and/or Cost Saving	Advances Agency or District-Wide Goals
6. DFHV should develop standard operating procedures for locking up assets, including operator identification card licenses and special permits, at the close of business each day.	X		To enhance DFHV's internal controls to help ensure protection of physical assets. ⁴⁵
7. DFHV officials should develop a protocol, in collaboration with OCFO staff responsible for payment processing, to avoid late payment of invoices and ensure interest is paid for payments more than 15 days late.		X	To advance the District-Wide goal of timely payment of invoices and compliance with the Quick Payment Act and avoid the payment of interest fees. ^{46 47}
8. DFHV should submit monthly revenue report to the D.C. Council as required by District law or work with legislators to amend the law.	X		OCFO 2017-2021 Strategic Plan: "Improve Customer Service" and "Improve Transparency and Quality of Information." ⁴⁸
9. DFHV and DMV should conduct and document an annual reconciliation of revenues collected through the Out-of-State Vehicle Registration Special Fund and dispersed to DFHV, and amend, where necessary, the "not to exceed" amount in future MOUs, to ensure that it is greater than the expected revenue that will be due to DFHV.		X	OCFO 2017-2021 Strategic Plan: "Improve Customer Service" and "Improve Transparency and Quality of Information." ⁴⁹
10. DMV and DFHV should transfer excess funds from the Special Fund to the Consumer Service Fund, as required.		X	Compliance with D.C. Code §50-1501.03a(3)

⁴⁵ Ibid

⁴⁶ D.C. Code § 2-221.01 et seq.

⁴⁷ D.C. Code § 2-221.02(b)(1); 1 DCMR § 1709. This applies to payments for goods, property or services.

⁴⁸ Office of the Chief Financial Officer Strategic Plan. https://cfo.dc.gov/page/office-chief-financial-officer-strategic-plan_rev

⁴⁹ Ibid

Conclusion

Our review found that the Consumer Service Fund balance was approximately \$2.6 million for FY 2014, approximately \$2.0 million for FY 2015 and approximately \$2.4 million for FY 2016 and that deposits and expenditures were made in compliance with D.C. law. Although we found that DFHV did not spend the total amount of funds required to increase the number of WAVs, DFHV is continuing their efforts to issue WAV incentives. We were pleased to find that DFHV and OCFO had strong internal controls for most activities related to the Consumer Service Fund. We did find, however, that excess Out-of-State Vehicle Registration Special Fund revenue was not transferred to the Consumer Service Fund as required. We are pleased to note that DMV and DFHV are instituting procedures to ensure that these funds are properly transferred in future years.

Agency Comments

We sent a report draft to DFHV, DMV, and OCFO on September 5, 2017, and held an exit conference with DFHV and OCFO on September 19, 2017. We appreciate the written comments which we received on the draft report from DFHV on September 28 and October 13, from DMV on September 18 and October 12 and from OCFO on October 27. The written responses from DFHV, DMV, and OCFO are appended in full to this final report.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

OFFICE OF THE CHIEF FINANCIAL OFFICER



Jeffrey S. DeWitt
Chief Financial Officer

OCT 27 2017

Ms. Kathleen Patterson
District of Columbia Auditor
717 14th Street, N.W., Suite 900
Washington, DC 20005

Re: ODCA Audit of the Public Vehicle for Hire Consumer Service Fund

Dear Ms. Patterson:

Thank you for the opportunity to comment on the findings and recommendations presented in the Office of the District of Columbia Auditor's draft report on the *Audit of the Public Vehicle for Hire Consumer Service Fund*, dated September 5, 2017. The responses of the Office of the Chief Financial Officer (OCFO) are below.

Audit Result # 4: DDS claimed that they have paid a fee of 1 percent of their gross receipts but provided no documentation supporting evidence of total gross receipts.

Auditor Recommendation # 4: OCFO should make arrangements for audits of DDS to be conducted on a regular basis, including recordation of results.

OCFO Response: Although not required by law, on an annual basis, the OCFO will review revenue certified by the DDS for accuracy and completeness.

Audit Result # 7: DFHV did not make payments within 30 days as required by the Quick Payment Act for 52 invoices totaling \$872,595.

Auditor Recommendation # 7: DFHV officials should develop a protocol, in collaboration with OCFO staff responsible for payment processing, to avoid late payment of invoices and ensure interest is paid for payments more than 15 days late.

OCFO Response: The OCFO concurs with this finding. Procedures have been put in place and all invoices are being paid pursuant to the guidelines of the Quick Payment Act.

If you have any questions or require additional information, please contact Timothy Barry, Executive Director for the OCFO Office of Integrity and Oversight, at 442-6433.

Sincerely,



Jeffrey S. DeWitt

cc: Cyril Byron, Associate Chief Financial Officer, Economic Development
and Regulations Cluster
Timothy Barry, Executive Director, Office of Integrity and Oversight
Tisha Edwards, Internal Audit Director, Office of Integrity and Oversight

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF MOTOR VEHICLES**



Office of the Director

MEMORANDUM

Transmitted by E-Mail

TO: Kathleen Patterson
District of Columbia Auditor

FROM: Lucinda M. Babers *Lucinda M. Babers*
Director

DATE: September 18, 2017

SUBJECT: DC DMV Comments to Draft Audit of the Public Vehicle For Hire Consumer Service Fund

This memo responds to your draft audit, dated September 5, 2017, Audit of the Public Vehicle For Hire Consumer Service Fund (DFHV).

Page 13 and 14 of the draft audit report indicates DMV transferred \$37,721 less than required to DFHV. Although DMV budget staff provided copies of the intra-district forms and SOAR screen prints to DFHV budget staff for the audit, the DMV provided documents were not forwarded to the DC Auditor staff by DFHV budget staff because they were considered outside of the scope of the audit. Apparently, other budget documents from SOAR/CFOSolve were used by the auditors. This resulted in the auditors creating Figure 3: Actual Registration Fees, as indicated below:

Figure 3: Actual Registration Fees

Fiscal Year	Out of state Vehicle Registration Fund (Fund 6100)	Amounts transferred to DFHV via Intra-District Transfer (Fund 7000)	Amounts that should have been transferred	Differences
2014	\$ 298,635.00	\$ 226,282.01	\$ 223,976.25	\$ 2,305.76
2015	\$ 270,825.00	\$ 200,000.00	\$ 203,118.75	\$ (3,118.75)
2016	\$ 245,451.17	\$ 183,480.75	\$ 184,088.38	\$ (607.63)

95 M Street, SW, 3rd Floor, Washington, DC 20024, 202-727-2200 (office), 202-727-1010 (fax)

	\$ 814,911.17	\$ 609,762.76	\$ 611,183.38	\$ (1,420.62)
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However, the figure in the draft audit does not accurately reflect intra-district transfers from DMV to DFHV. Instead, the figure incorporates unused funds which DFHV transferred back to DMV at year end. We have provided an accurate, revised figure below:

Revised Figure 3: Actual Registration Fees

Fiscal Year	Out of state Vehicle Registration Fund (Fund 6100)	Amounts transferred to DFHV via Intra-District Transfer (Fund 7000)	Amounts that should have been transferred	Differences	Amount of Intra-District Advance Returned to DMV by DFHV
2014	\$ 298,635.00	\$ 226,282.01	\$ 223,976.25	\$ 2,305.76	\$ 42,781.58
2015	\$ 270,825.00	\$ 200,000.00	\$ 203,118.75	\$ (3,118.75)	\$ -
2016	\$ 245,451.17	\$ 183,480.75	\$ 184,088.38	\$ (607.63)	\$ 1,500.00
	\$ 814,911.17	\$ 609,762.76	\$ 611,183.38	\$ (1,420.62)	\$ 44,281.58

As indicated by the revised figure, DMV did not transfer \$1,421, as opposed to \$37,721, of intra-districted funds to DFHV. However, the \$1,421 difference is attributed to funds continuing to be collected through September 30, 2017 when funds can no longer realistically be intra-districted. Therefore, for the fourth quarter transfer, DMV used an estimate of revenue collection.

Page 14 also indicates DMV could not confirm that reconciliation was conducted at the end of each fiscal year to determine if the estimates in the memoranda were accurate or if accurate funds were transferred. Since this audit was related to DFHV, all DMV documents and correspondence were sent to DFHV's budget staff. However, we do reconcile the fund throughout the year and at year end to ensure we are sending the required fund amounts to DFHV.

In regards to the DMV related audit recommendations on page 16 and 17, the following responses are provided:

Auditor Recommendation 9:

DFHV and DMV should conduct and document an annual reconciliation of funds collected through the Out of State Vehicle Registration Special Fund and dispersed to DFHV.

DMV Response: DMV does not dispute this recommendation and, as previously discussed, does reconcile revenue estimates throughout the fiscal year to ensure the proper revenue amount is transferred to DFHV. Beginning FY18, we will provide DFHV with quarterly emails documenting the reconciliation process.

Auditor Recommendation 10:

DMV and DFHV should revise future memoranda removing the \$200,000 not-to-exceed amount, as this is not supported by law.

DMV Response: DMV will ensure it does not sign off on any DFHV/DMV Out-of-State Vehicle Registration Memorandum of Understanding which contains the “not-to-exceed” phrase as it relates to the monetary intra-district amount.

Thank you for allowing me to comment on this draft report. Please contact me if you require further information. I can be reached at 202-727-2200 or Lucinda.Babers@dc.gov.

cc: Ernest Chrappah, Director, Department of For Hire Vehicles
Ronald Pleasant, Agency Fiscal Officer, Department of Motor Vehicles

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF MOTOR VEHICLES**



Office of the Director

MEMORANDUM

Transmitted by E-Mail

TO: Kathleen Patterson
District of Columbia Auditor

FROM: Lucinda M. Babers *Lucinda M. Babers*
Director

DATE: October 12, 2017

SUBJECT: DC DMV Comments to Revised Draft Audit of the Public Vehicle For Hire Consumer Service Fund

This memo responds to your revised draft audit, emailed on October 11, 2017, Audit of the Public Vehicle For Hire Consumer Service Fund (DFHV).

In regards to the DMV related audit recommendations, the following responses are provided:

Auditor Recommendation 1:

DFHV and DMV should conduct and document an annual reconciliation of revenues collected through the Out-of-State Vehicle Registration Special Fund and dispersed to DFHV. DFV and DMV should amend, as necessary, the “not-to-exceed” amount in future MOUs, to ensure that it is greater than the expected revenues that will be due to DFHV.

DMV Response: DMV does not dispute this recommendation and, we do reconcile revenue estimates throughout the fiscal year to ensure the proper revenue amount is transferred to DFHV. Beginning FY18, we will provide DFHV with quarterly emails documenting the reconciliation process. Additionally, DMV will ensure it does not sign off on any DFHV/DMV Out-of-State Vehicle Registration Memorandum of Understanding which contains the “not-to-exceed” phrase as it relates to the monetary intra-district amount.

Auditor Recommendation 2:

DMV and DFHV should transfer excess funds from the Special Fund to the Consumer Service Fund, as required.

DMV Response: DMV agrees with this recommendation.

Thank you for allowing me to comment on this revised draft report. Please contact me if you require further information. I can be reached at 202-727-2200 or Lucinda.Babers@dc.gov.

cc: Ernest Chrappah, Director, Department of For Hire Vehicles
Ronald Pleasant, Agency Fiscal Officer, Department of Motor Vehicles

MEMORANDUM

TO: Kathleen Patterson
District of Columbia Auditor

FROM: Ernest Chrappah *ErnestChrappah*
Director, Department of For-Hire Vehicles (DFHV)

DATE: September 27, 2017

SUBJECT: DFHV Comments to Draft Audit of the Public Vehicle For Hire Consumer Service Fund

This memo responds to your draft audit report, dated September 5, 2017, Audit of the Public Vehicle For Hire Consumer Service Fund and the revised draft finding of “DMV Transferred less funds than allowable to DFHV”, email dated September 26, 2017.

- 1) **Audit Result:** DFHV did not spend the total amount of funds required to be spent to increase the number of wheelchair accessible vehicles.

Audit Recommendation: DFHV should determine the need or demand for Wheelchair Accessible Vehicles based on usage of WAVs currently in operation, and continue to provide grants for WAV purchase, rentals, and training based upon demand for these services.

Agency Response: While we agree that we did not spend all of the funds available to us to increase the number of wheelchair accessible vehicles (WAVs), as stewards of District funds, we did spend in accordance with the needs and demands. We did not waste District funds, nor did we mismanage them by overspending. We have analyzed the demand and use of WAVs and published a report titled “Quantifying Demand and Use of Wheelchair Accessible Vehicles, Taxis, Limousines, Private Hire and Car Services – Executive Summary” on our agency’s website:

https://dfhv.dc.gov/sites/default/files/dc/sites/dc%20taxi/page_content/attachments/WAV%20Executive%20Summary.pdf

To assist and guide us going forward, we are publishing a scorecard of wheelchair accessible vehicles. Target completion date is September 30, 2017.

In addition, we would like to clarify in the audit result’s last paragraph that we will continue our efforts to issue WAV incentive grants with consideration of needs and funding availability.

- 2) **Audit Result:** Revenue submitted by DDSs and PSPs, along with fees collected by DFHV Client Services Department during FY 2014-FY 2016, was properly posted to the Consumer Service Fund.

Audit Recommendation: N/A

Agency Response: We concur with the auditor's audit result.

- 3) **Audit Result:** DFHV lacks standard operating procedures (SOPs) for several of its processes, and agency officials have cited Administrative Issuance and regulations as the only source of materials that communicate policies and procedures.

Audit Recommendation: DFHV should establish relevant procedures available to staff who process initial and renewal license applications and who are responsible for performing reconciliations of initial and renewal license application fees, as well as communicate updates to policy.

Audit Recommendation: DFHV should develop an effective method to disseminate and communicate policies to all relevant staff.

Agency Response: We have developed a standard policies and procedures template, which we will use to create, publish, disseminate and educate the appropriate people about the proper processing of initial/renewal applications and performing reconciliations of license application fees.

We agree to develop a consistent protocol for the communication to, and training of, staff and relevant parties on the release of policies and procedures. As well, we will maintain records of such communications and trainings.

Target completion date is March 31, 2018.

- 4) **Audit Result:** DDSs claimed that they have paid a fee of 1 percent of their gross receipts but provided no documentation supporting evidence of total gross receipts.

Audit Recommendation: OCFO should make arrangements for audits of DDSs to be conducted on a regular basis, including recordation of results.

Agency Response: Please consider suggestive changes to the draft report's audit result and recommendation communicated by the OCFO team at the audit exit conference on September 19, 2017. Suggestive changes included revising "audit" to "review", "claimed" to "certified", noting the DDSs are not required by law to provide supporting documents and etc. OCFO may provide supplemental response on this within the next two business days.

- 5) **Audit Result:** Although we found that DFHV and OCFO had internal controls in place sufficient to protect the Consumer Service Fund from waste, fraud, and abuse, physical control of some documents and assets in the Client Services Department could be improved.

Audit Recommendation: DFHV should install a physical control mechanism for retained receipts and scanned and validated checks and money orders.

Audit Recommendation: DFHV should develop standard operating procedures for locking up assets,

including operator identification card licenses and special permits, at the close of business each day.

Agency Response: We have ordered locking mechanisms for use throughout the day. While the solution has not yet been implemented, it is pending arrival. The issue surrounding after hour lockups has been remediated.

We will comply with the recommendation and develop needed policies and procedures governing physical access controls in the Client Services areas.

Target completion is March 31, 2018.

- 6) **Audit Result:** DFHV did not make payments within 30 days as required by the Quick Payment Act for 52 invoices totaling \$872,595.

Audit Recommendation: DFHV officials should develop a protocol, in collaboration with OCFO staff responsible for payment processing, to avoid late payment of invoices and ensure interest is paid for payments more than 15 days late.

Agency Response: We are actively participating in a collaborative eInvoicing Pilot with OCFO to further monitor and address lateness issues. No late incidents in 2017, associated with DFHV's processes, have occurred.

Target completion date is September 30, 2018.

In addition, please consider OCFO team's analysis regarding FY 2015 and FY 2016 expenses per draft report's table that were not paid in compliance with the Quick Payment Act (QPA). Only actual vendor payments are QPA eligible. OCFO's team has identified which expenses are not QPA eligible and which ones do not require interest payment. We suggest revising the table accordingly.

- 7) **Audit Result:** DFHV has not provided appropriate documents to indicate submission of monthly revenue reports to the D.C. Council as required by law.

Audit Recommendation: DFHV should submit monthly revenue report to the D.C. Council as required by District law or work with legislators to amend the law.

Agency Response: We agree with the recommendation, and will commence filing the required monthly revenue reports to the D.C. Council as required by District law.

Target completion date is September 30, 2018.

- 8) **Audit Result:** DMV Transferred \$37,721 less than required to DFHV.

Audit Recommendation: DFHV and DMV should conduct and document an annual reconciliation of funds collected through the Out-of-State Vehicle Registration Special Fund and dispersed to DFHV.

Audit Recommendation: DMV and DFHV should revise future memoranda removing the \$200,000 not-to-exceed amount, as this is not supported by law.

Agency Response: For the period of FY 2014 to FY 2016, we agree with DMV that a total amount of

\$1,420.62 did not get transferred to DFHV and not \$37,720.57. Please see revised Figure 3 provided by DMV below.

Fiscal Year	Out of state Vehicle Registration Fund (Fund 6100)	Amounts transferred to DFHV via Intra-District Transfer (Fund 7000)	Amounts that should have been transferred	Differences	Amount of Intra-District Advance Returned to DMV by DFHV
2014	\$ 298,635.00	\$ 226,282.01	\$ 223,976.25	\$ 2,305.76	\$ 42,781.58
2015	\$ 270,825.00	\$ 200,000.00	\$ 203,118.75	\$ (3,118.75)	\$ -
2016	\$ 245,451.17	\$ 183,480.75	\$ 184,088.38	\$ (607.63)	\$ 1,500.00
	\$ 814,911.17	\$ 609,762.76	\$ 611,183.38	\$ (1,420.62)	\$ 44,281.58

In response to the revised audit finding provided on September 26, 2017, we would like to clarify that DMV did not transfer \$8,517.97 less in FY2014 and \$2,107.60 less in FY2016 to DFHV. DFHV did not have enough expenditure to go against the full transferred amounts for those fiscal years. Therefore, \$8,517.97 in FY2014 and \$ 2,107.60 in FY2016 were returned to DMV per District's intra-District policy and MOU. In addition, we would like to clarify the not to exceed amount of \$200,000 stated in the MOU impacted FY2015 only, \$ 3,118.75 was not transferred to DFHV that fiscal year.

We agree to review, with input from DMV, the existing MOU and make appropriate changes to modify the agreement. We will partner with DMV on the quarterly reconciliation starting in FY 2018 and adjust the MOU amount if needed.

Target completion date is September 30, 2018.

Thank you for allowing me to comment on this draft report. Please contact me if you require further information. I can be reached at 202-645-6005 or ernest.charppah@dc.gov.

Cc: Lucinda Babers, Director, DMV
Bright Ahaiwe, Agency Fiscal Officer, DFHV

MEMORANDUM

TO: Kathleen Patterson
District of Columbia Auditor

FROM: Ernest Chrappah *ErnestChrappah*
Director, Department of For-Hire Vehicles (DFHV)

DATE: October 13, 2017

SUBJECT: DFHV Comments to Revised Draft Audit of the Public Vehicle For Hire Consumer Service Fund

This memo responds to your revised draft audit report, emailed on October 11, 2017, Audit of the Public Vehicle For Hire Consumer Service Fund.

Audit Result: Excess Out-of-State Vehicle Registration Special Fund revenue was not transferred to the Consumer Service Fund as Required.

Audit Recommendation #1: DFHV and DMV should conduct and document an annual reconciliation of revenues collected through the Out-of-State Vehicle Registration Special Fund and dispersed to DFHV. DFV and DMV should amend, as necessary, the “not-to-exceed” amount in future MOUs, to ensure that it is greater than the expected revenues that will be due to DFHV.

Agency Response: We agree to review, with input from DMV, the MOU and make appropriate changes to modify the agreement. We will partner with DMV on the quarterly reconciliation starting in FY 2018 and adjust the MOU amount if needed.

Audit Recommendation #2: DMV and DFHV should transfer excess funds from the Special Fund to the Consumer Service Fund, as required.

Agency Response: We agree with this recommendation and will partner with DMV and OCFO to ensure any excess funds will be transferred to the Consumer Service Fund, as required.

Target completion date is October 31, 2018.

Thank you for allowing me to comment on this draft report. Please contact me if you require further information. I can be reached at 202-645-6005 or ernest.chrappah@dc.gov.

Cc: Lucinda Babers, Director, DMV
Bright Ahaiwe, Agency Fiscal Officer, DFHV

ODCA Response to Agency Comments

Based on the exit conference, additional information provided by OCFO and DMV, and our review of written comments, we revised the draft report where applicable. We are encouraged by DMV's strong commitment to immediately implement recommendations related to the MOU, however, the language of the recommendation is intended to make clear that a not-to-exceed amount may be retained if the MOU is reviewed and amended to ensure that the not-to-exceed amount is greater than the expected revenue that will be due to DFHV.