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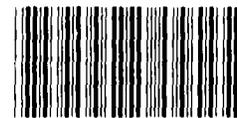
BY THE U.S. GENERAL ACCOUNTING OFFICE

To The Mayor Of The District Of Columbia

Some District Agencies Deposit Receipts Timely; Others Need To Improve

The District has no citywide standards or procedures governing the timeliness and frequency for processing agency receipts although such standards are common elsewhere. Some agencies process and deposit receipts with D.C. treasury promptly; other agencies delay processing and depositing the receipts. Lost interest income and control problems, such as receipts becoming lost or stolen or checks becoming stale-dated, may result.

GAO recommends to the Mayor that guidelines detailing receipt processing procedures be completed and distributed to District agencies to improve overall receipt processing, and that several agencies take immediate action to improve controls over receipts and increase timeliness of deposits.



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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

GENERAL GOVERNMENT
DIVISION

B-203834

The Honorable Marion S. Barry, Jr.
Mayor of the District of Columbia
Washington, D.C. 20004

Dear Mayor Barry:

Some District agencies are processing and depositing receipts with D.C. Treasury promptly; other agencies are slower in handling collected funds, resulting in lost interest income. Of the seven agencies we reviewed, the Department of Environmental Services (DES) and D.C. General Hospital were more prompt in making deposits than were the Departments of Housing and Community Development (DHCD); Licenses, Investigations and Inspections (DLII); Insurance; and the Recorder of Deeds. Sufficient data was not available to reach a conclusion on Department of Transportation's Miscellaneous Trust Fund deposits.

The District has no promulgated citywide standards concerning the timeliness and frequency of agency receipts processing although standards for the processing of receipts are common elsewhere. U.S. Treasury requirements state that each Federal agency will deposit its receipts with the U.S. Treasury on a timely basis. In addition, the requirements also state that agencies will design their processing system to separate payments received (checks, money orders, etc.) from accompanying accounting documents at the initial stage of processing and deposit the payments promptly. Standards developed by the General Accounting Office (GAO) for Federal agency use also call for prompt deposit of receipts. These concepts are also applicable to local governments. The Municipal Finance Officers Association's guide to implementing effective cash management in local government states that cash managers should establish written procedures for all deposits when starting a cash management program. In addition, all municipal receipts should be deposited the same day the money is received to avoid theft and loss of potential interest income. In the District many of these concepts were not being used, and lacking overall guidance, District agencies used varying systems to process receipts.

The District loses money each day deposits are delayed and funds are not available for investment. Additional interest is lost when checks payable for wrong amounts are returned by the District. Some District agencies could shorten the time deposits are delayed by, among other things, depositing payments before processing attached paperwork, centralizing collection of receipts, and instituting additional controls over incoming funds.

District officials commented on a draft of this report by letter dated November 12, 1982. District officials said they were pleased that the report commented favorably on some agencies' processes. Unfortunately, they did not comment specifically on all of the recommendations contained in the draft report. The District's reply is included as the appendix to this report and, to the extent possible, the comments are considered at appropriate places in the text of the report.

THE DISTRICT'S SYSTEM FOR DEPOSITING RECEIPTS

District agencies receive various payments associated with their programs, ranging from urban renewal rents and developer kit fees collected by DHCD to annual report filing fees received by the Recorder of Deeds. Some agencies, such as the Recorder of Deeds, collect a large portion of their receipts at one time of the year while other agencies collect receipts throughout the year.

The District has a cash management program for the city's revenues deposited with the D.C. Treasury. The GAO report "The District of Columbia's Banking and Short Term Investment Management" (GAO/GGD-82-71) discusses the effectiveness of this cash management effort, but it does not discuss how promptly agencies process receipts and deposit funds with D.C. Treasury.

OBJECTIVES, SCOPE, AND METHODOLOGY

In surveying the District's efforts to bill, record, and collect accounts receivable, we noted that some agencies were experiencing long delays in processing and depositing receipts. We did this review to find out why the delays were occurring and what the District could do to speed up the process.

We did our work at the Recorder of Deeds, Department of Insurance, DES, DHCD, Department of Transportation (DOT), D.C. General Hospital, and DLII.

We did no work at the Department of Finance and Revenue (DFR) because most of the revenue collected by that agency is from D.C. self-assessed tax payments. Information about these payments would have to come from tax returns and we do not have access to information on self-assessed tax returns. As a result, we do not know how much time elapses in processing and depositing self-assessed tax payments with D.C. Treasury. However, we are recommending that the Inspector General evaluate the reasonableness of the time DFR takes to deposit tax receipts.

We interviewed District officials and personnel, reviewed records relating to deposits, calculated estimated elapsed time from receipt of payments to their ultimate deposit at D.C. Treasury, and reviewed the procedures agencies use to process the receipts. Our work was performed in accordance with generally accepted Government auditing standards.

We used random and judgment sampling techniques in selecting the records to be reviewed. Judgment sampling was used at all agencies but one because available data was not conducive to random sampling techniques. At DES we looked at all receipts for a 6-month period. We made no projections of amounts involved or potential interest lost due to delays in depositing the receipts at any of the agencies included in our review because of data limitations.

CHANGES NEEDED TO REDUCE THE TIME
SOME AGENCIES TAKE TO PROCESS RECEIPTS

DES and D.C. General Hospital process receipts more promptly than the other agencies reviewed, although D.C. General Hospital could increase timeliness of deposit by centralizing its collection activities. DHCD, DLII, the Department of Insurance, and the Recorder of Deeds processed receipts less promptly for various reasons. Lack of data precluded a judgment on DOT deposits, but a problem in failing to give priority to depositing checks for large amounts was noted.

The Municipal Finance Officers Association's guide to implementing effective cash management in local government states that "all municipal receipts should be deposited in the bank on the same day the money is received." The guide also states that written procedures for all deposits should be established. District agencies have developed their own procedures for handling receipts in the absence of citywide standards, but these procedures do not always achieve the objective of prompt deposit.

The District is losing money each day deposit of payments is delayed since this money is not available for investment. Some District agencies could shorten the processing time by depositing the payments prior to processing the paperwork or centralizing the collection of payments. Standards should be developed for all agencies and compliance with these standards should be monitored.

Of the District agencies we reviewed, DES and D.C. General Hospital, which record payments in a log upon receipt, processed payments for deposit with D.C. Treasury more promptly than did the other agencies. Average processing times at these two agencies was lower because the review of the accompanying documents is simpler or reconciliation of the payments to other records is done after the payments are deposited. The processing times for DES and D.C. General Hospital were calculated from the date the payments were logged in to the date the payments were accepted by D.C. Treasury. We computed average elapsed times of 5.2 days and 3.3 days for DES and D.C. General Hospital, respectively, which we considered reasonable under the operating circumstances at these agencies.

Checks should be separated from accompanying papers upon receipt

The Department of Insurance, DLII, and the Recorder of Deeds do not separate payments from paperwork until after the paperwork has been reviewed and approved. This system precludes these agencies from making deposits more promptly. The Department of Insurance and DLII do not separate the payments because of the potential of having to reject applications and make refunds. The Recorder of Deeds believes that legal requirements preclude separating the payment before the accompanying paperwork is reviewed and accepted.

Separating the payments and paperwork upon receipt not only makes good business sense but, in the case of U.S. Treasury requirements, is one of the primary procedures to be accomplished by any Federal cash management system. In addition, payments held for any length of time may be lost or stolen; this problem is highlighted in Municipal Finance Officers Association guidance on cash management. An added problem that arises from not separating payments and depositing them is that checks retained with paperwork for long periods of time can become nonnegotiable because of stale dates.

We found that the Department of Insurance keeps payments attached to the applications until approval, causing up to a 2-week delay in depositing funds. Each application to sell

insurance in the District is routed through three clerks who verify, in various ways, that the application is correct and the applicant is qualified to be licensed. The third clerk removes the payments from approved applications and forwards them to another staff member who prepares the deposit. Rejected applications are returned to the applicants along with the payment. The Acting Assistant Superintendent of Insurance told us that payments were not separated and deposited before the applications were approved because of the possibility of rejecting the applications and the resulting issuance of refunds, which he felt would be a problem.

On the basis of our sample of one day's mail, we computed an average elapsed processing time for 49 approved applications of 14 days from date of receipt and 11 days from the date of initial processing. Since the Department of Insurance did not note the date mail was received, we took as our sample all mail received on one day that would be processed the following day. We attempted to trace 59 applications. Forty-nine of the 59 applications were approved, 1 was rejected and subsequently resubmitted, and 9 could not be located during followup visits. A Department official said that these nine applications had probably been rejected and had not yet been resubmitted.

The Application Branch of DLII's Occupational and Professional Licensing Division also keeps payments with applications while Branch personnel verify the applications for completeness and correctness. A DLII official said that they do not separate payments from applications for professional examinations because the examinations are limited and space is filled on a first-come, first-served basis. Therefore, DLII will not accept payment (deposit the payment) without a complete and approved application.

The Application Branch receives applications from individuals applying to sit for professional examinations and those seeking reciprocity. Currently, contact representatives examine the applications first to see if the individual qualifies on the basis of the information provided in the documents and verify that the application has been notarized and the payment amount is correct. Applications received over-the-counter are reviewed initially by application clerks before the contact representative examines the application. After the contact representative examines the paperwork, the application clerks prepare an individual transmittal sheet for each application and forward the payments and the applications to a records control clerk who then removes the payment. Payments are forwarded by the records control clerk to the License

Branch to be deposited with D.C. Treasury. Incorrect applications are returned with the payment to the applicant.

We reviewed two types of applications. We examined 23 applications for the certified public accountant examination and found that an average of 6 days elapsed between the date received and the date the records control clerk removed the payment to be forwarded for deposit. We also examined 9 pending real estate applications and computed an average 14-day processing time from the date received to the date the check was removed.

We first discussed the Application Branch's processing of receipts in February 1982. The system used then to process receipts is similar to the procedure described above. After our initial visit, the Branch tried a new system for processing applications, which provided for separating the payment at an early stage of processing. The system has been temporarily suspended due to staffing difficulties.

Recorder of Deeds should initiate action
to modify deposit practices

Recorder of Deeds officials stated that reviewing and approving the paperwork before accepting the payment for deposit is required by the D.C. Code. The practice of reviewing the paperwork for approval before removing the payment causes payments to be undeposited for long periods of time. Because 20,000 to 25,000 of the 50,000 to 60,000 active corporations file their annual reports within a month of the April 15 filing deadline, the elapsed time from receipt to deposit of the accompanying payments is increased because backlogs occur. Also, checks held are subject to becoming stale-dated, lost, or stolen.

We computed an average elapsed processing time of 74 days from receipt of the documents and payments to deposit for filings under \$400. This 74-day average is based on a random sample of 100 cases taken at the Recorder of Deeds. The processing time ranged from 10 to 278 days. Corporate papers submitted with fees over \$400 are given a higher priority in processing. Our review of 24 annual reports filed for 1981 with fees over \$400 showed an average elapsed time of 18.7 days. The maximum time taken to process a document in that sample was 54 days. One payment for \$185,000 was processed and deposited the same day it was received.

The Recorder of Deeds initially advised us that D.C. Code section 29-399.31, which deals with the submission of corporate papers, requires that payments attached to annual reports

must remain with the documents until they are approved for filing. We questioned this interpretation, and in subsequent comments, officials from the Recorder of Deeds cited other sections of the code to support their position. Essentially the Recorder of Deeds notes that D.C. Code section 29-399.22, which deals with fees and charges for various corporate filings, requires that the fee due for annual reports is payable at the time the document is filed. We understand this section as directing the corporation to pay the fee at the time it files its annual report. The Recorder of Deeds, however, contends that section 29-348, relating to the filing of articles of incorporation, evidences the general proposition that no document may be considered "filed" until it has been officially approved and marked "filed" by that office. Since payment is to be made at the time of filing the annual report according to section 29-399.22, the Recorder of Deeds concludes "acceptance of payment by processing and depositing payment checks is tantamount to acknowledging to the tendering corporation that the report has been accepted for filing."

As we understand the Recorder's position, the requirement that fees be paid at the time of filing in effect requires the Recorder to hold the checks (i.e. not negotiate a negotiable instrument), until such time as the accompanying report has been officially filed. If sufficient time passes between the "filing" by the Corporation and the "filing" by the Recorder, the check may in fact lose its negotiable status. Under these circumstances, we do not consider the Recorder's position practical or legally persuasive. If the statute is read as directing payment at the time of official filing, could a corporation then argue that it is not required to make its payment until the official filing rather than tendering its check when it submits the report? And if the District cannot accept check payments by way of depositing them prior to the official filing of the report, would not the same logic require it to hold cash payments? A more reasonable reading of the statute would be to simply require that payment be made when the Corporation, not the Recorder, files the annual report. This is not inconsistent with the express statutory requirement of section 29-398 which requires corporations to "file" annual reports:

"Each Corporation shall file with the Mayor, on or before April 15th of each year, an annual report***" (Emphasis supplied.)

We also question the argument advanced by the Recorder of Deeds that the processing and depositing of the payment checks constitutes a determination that the corporation's report has been determined to be regular in all respects, accepted as

such, and officially filed. Such a conclusion would run contrary to well-established commercial practice by which properly drawn checks are unconditionally negotiable upon delivery. Furthermore, the statute clearly indicates that payment is but one prerequisite before a document can be officially filed by the Recorder. (See for example section 29-348 which provides for the official filing of articles of incorporation). If the Recorder is concerned that a corporation will misconstrue the cashing of its payment check as evidencing the official filing of its report, a simple statement to the contrary could be added to the annual report form supplied by the District. Nevertheless, we recognize that the Recorder is ultimately responsible for administering the filing provisions, and we agree with the Recorder's observation that the problem would be eliminated if the statute explicitly distinguished between the filing of a document and the tendering of it for filing. This could be accomplished by amending section 29-399.22 to require that fees be paid at the time the annual report is tendered or delivered to the Recorder of Deeds for filing purposes. This would explicitly permit the Recorder of Deeds to separate and deposit payments from documents upon their receipt, regardless of when they are officially filed. Such action would be in keeping with the premise set out in the U.S. Treasury Fiscal Requirements Manual which suggests that agency systems for processing payments should be designed to separate payments from accompanying documents at an early stage of processing so that the payments can be deposited promptly.

Collection of receipts should be centralized

Two agencies, DHCD and D.C. General Hospital, have several offices which collect receipts and subsequently transmit them to a central agency office where they are consolidated into a deposit. This decentralization increases the time needed to process receipts for deposit.

At DHCD, the offices responsible for administering the programs collect receipts associated with their programs and forward them to the Office of the Comptroller which deposits the receipts with D.C. Treasury. Some DHCD organizations were not promptly forwarding payments received. For example, the Development Administration held payments received for developer kits an average of 69 days before forwarding the payments to the DHCD Comptroller. On the average, an additional 5 days passed between the time the DHCD Comptroller received the payments and D.C. Treasury's acceptance of the payments for deposit. Another DHCD office considers processing incoming receipts an administrative task, less urgent than others. On a

judgmental sample taken of receipts in that office, an average of 11.7 days passed between that office's receipt of the payments and D.C. Treasury's acceptance of the payments for deposit.

Also, we were advised that public housing rent payments received in accordance with repayment agreements are first sent to DHCD's legal office, then to the public housing property management administration, and then to DHCD's private contractor who deposits the payments. The legal staff said that unless the payments were received by their office, they would not be able to verify compliance with the repayment agreements on a timely basis. We believe that tenants should send these payments directly to the contractor, as is done with regular rent payments. The contractor could provide a list of these payments specifically for the legal section.

D.C. General Hospital receives payments over-the-counter and by mail. The mailroom sends payments to either the cashier's office or the Patient Accounts office. The Patient Accounts office transmits payments received to the cashier's office which has deposit responsibility. We traced one month's payments received by Patient Accounts to cashier office records.

Standards for prompt deposit of receipts should be developed and agency adherence monitored

The District has not promulgated citywide standards or systems for depositing receipts. Lacking such guidance some agencies have developed their own systems for processing incoming receipts while others have not. As discussed previously, some agency-developed systems result in long delays in depositing receipts. The District should develop standards for processing incoming receipts and agency compliance with these standards should be monitored.

The Recorder of Deeds, D.C. General Hospital, and DES maintain logs of all incoming receipts. With these logs, a record of payments and the date received is available, and control over the receipts is established at an early stage of processing. In addition, the Recorder of Deeds Corporation Division staff date-stamp incoming mail upon receipt.

We had difficulty computing elapsed processing times at the Department of Insurance and DOT because records are not kept of the date payments are received. At the Department of Insurance, the date-stamp machine was broken at the time of our review and had been inoperable for several months.

Department of Insurance personnel did not record either a handwritten or hand-stamped date on the applications. For receipts received by DOT's Miscellaneous Trust Fund Unit, we were unable to calculate valid processing times from our initial judgment sample because the receipt date was not known. A subsequent judgment sample of payments on hand awaiting deposit revealed that the payments were held for at least 7 days before being deposited with D.C. Treasury. One of the payments was for over \$218,000. No payment for this amount should lay idle this long. At the Recorder of Deeds when a check for such a large amount is received it is processed and deposited immediately.

We experienced a problem testing urban renewal rent payments collected by the Urban Renewal Property Division of DHCD. At the time of our review, DHCD personnel picked up payments from a post office lockbox. No records were kept of the date the Urban Renewal Property Division received the payments from the lockbox. In addition, we could not tell how often DHCD personnel collected the payments from the lockbox. We did not compute the average delay for these payments because the only date available as the date received was the date the individual receipt was prepared for each payment. The DHCD Accounting Branch Chief said that collection of urban renewal rent payments would soon be handled by the same contractor currently collecting public housing rents.

NUMBER OF DOCUMENTS REJECTED
NEEDS TO BE REDUCED

Two agencies reject large numbers of documents, expending additional processing time and incurring additional administrative costs to reprocess these documents when they are re-submitted without deriving any additional financial benefit. The reasons for rejections include, but are not limited to, documents not notarized, signed, or completely filled in; information written rather than typed; or unauthorized changes.

An official at the Recorder of Deeds said that about one-third of the 50,000 to 60,000 documents received for review and approval each year are rejected. The Department of Insurance could not provide an estimate on the annual rejection rate. The District loses the use of the funds and forgoes interest income because the payments are returned with the documentation. Accordingly, the District should seek to minimize the number of rejected applications.

Recorder of Deeds

Recorder of Deeds officials told us that about one-third of the corporate documents received for processing each year are rejected. The most frequently cited reason for rejecting reports is that they show a registered agent other than the one shown on previously filed documents. Other reasons that could result in a report being rejected include the corporate name listed incorrectly or the report not signed.

All corporations doing business in the District are required to be registered in the District and file, among other documents, an annual report with the Recorder. One of the line items required on the annual report is the name of the corporation's registered agent. The name of the registered agent can only be officially changed if the corporation files a separate statement of change document along with the appropriate fees. Recorder of Deeds officials stated that corporations will often change registered agents during the year but fail to report the change until they file the annual report. When this occurs, the report and accompanying payment is returned to the corporation to be corrected. When the report is resubmitted, it must be reviewed again along with any accompanying documents. This second review increases the agency's workload and further delays deposit of associated fees.

In our draft report we took the position that since the annual report reflects a corporation's current situation it should be accepted as submitted, but the Recorder should then inform the corporation that no certificate of good standing would be issued until the missing change-of-registered agent document is filed. This position was based on our understanding that the annual report, as submitted by the corporation, does contain the name of the individual, then acting as the registered agent in fact, but that in order for the agent to be officially changed a separate supporting statement to that effect would have to be submitted.

In commenting on our recommendation, the Recorder stated that the office was precluded by law from accepting reports which did not contain the name of the officially recognized registered agent. Since the law does not recognize a changed registered agent's name until a statement to that effect is filed, an annual report containing the undocumented change is incorrect and cannot be officially accepted as we suggested. Nevertheless, we find it wasteful to return the report itself to the corporation, when the necessary correction can be accomplished by filing a statement of change. At least in the case of non-profit corporations, however, return of the report seems required by D.C. Code section 29-585.

We believe the statute should be changed to allow the Recorder to simply hold, rather than return, the report until all necessary supporting documents are filed. The Recorder could then inform the corporation that the report would not be filed and no certificate of good standing would be issued until the supporting documents are received. Such a statutory change, along with that recommended earlier allowing for the prompt deposit of payments accompanying documents tendered for filing, would substantially eliminate the costly practice of returning corporate reports and checks. Also, the Recorder could publish a listing of the most common errors causing documents to be rejected to make filers more aware of the reasons applications are rejected.

Department of Insurance

Although the Department of Insurance rejects applications from agents and brokers requesting a license to sell life insurance in the District, no statistics are kept on how many applications are rejected. One major reason cited by a Department official for rejecting an application is the fact that the application is not typed. The Department requires that at least the top portion of the application be completed with an electric typewriter because the form, when approved, becomes the license. The instruction form sent with the application states "type the application with an electric typewriter." The letter sent along with an application that has been rejected for not being typewritten is more descriptive. The letter states "Please note that when you complete the application you are at the same time preparing the license. Applications completed with pen, pencil, or anything except an electric typewriter will be returned and must be re-submitted on a new form." The Department could possibly reduce the number of applications rejected for not being typed by including the statement on the rejection letter on the application form as well.

PAYMENTS FOR INCORRECT AMOUNTS SHOULD BE DEPOSITED RATHER THAN RETURNED

Several District agencies return checks that are for the incorrect amount whereas other agencies deposit all receipts and make adjustments later. Guidelines promulgated by the Municipal Finance Officers Association state that it is seldom necessary or appropriate to return a check because it is made out in the wrong amount. Written procedures should provide for prompt deposits and later for corrections and adjustments, if required.

DES, DHCD, and D.C. General Hospital officials told us that they generally do not return checks that are for the incorrect amount. Any adjustment required as a result of depositing a check for an incorrect amount is generally reflected during the following billing period. Exceptions are property settlements which DHCD oversees and some overpayments by trash haulers billed by DES. A DHCD official stated that settlement would not occur if the check presented was for the incorrect amount. An overpayment from a trash hauler would be returned and a replacement check requested if the hauler's account does not show any current charges against which an overpayment may be offset.

Officials at the Recorder of Deeds, Department of Insurance, and DLII told us that they return checks that are for incorrect amounts. At the Department of Insurance we noted several resubmitted applications that had been initially rejected because the incorrect fee was submitted. The checks accompanying the resubmitted applications were for the correct amount. A DLII official in the Examination Branch of the Occupational and Professional Licensing Division told us that occasionally an examination applicant will submit the wrong fee because the applicant considers the fee submitted with the license application part of the examination fee and deducts this amount when submitting a check for the examination fee. An official at the Recorder of Deeds stated that an overpayment of \$2.00 or more is either returned or the corporation is contacted and asked to bring in a check for the correct amount.

CONCLUSIONS

District agencies handle receipts differently because no District-wide standards or procedures currently exist which specify how receipts should be processed to get them to D.C. Treasury for deposit with the minimum delay. Some agencies separate payments from the accompanying paperwork upon receipt whereas other agencies keep the payment and paperwork together until the paperwork has been approved for filing. Only then is the payment removed for deposit. The District needs to develop and disseminate to the agencies guidelines to eliminate the long delays now occurring at some agencies in getting receipts to D.C. Treasury for deposit. A D.C. Treasury official told us that while standards had never been promulgated to the agencies, he was in the process of preparing them. This report highlights areas of special concern which should be covered in such standards.

Control problems, such as receipts becoming lost or stolen, or checks becoming stale-dated, can also result from delays in depositing the receipts. Another control problem, indirectly related to deposit delays, is the fact that not all agencies record and/or date-stamp the payments and/or paperwork when received.

Although DFR is the largest revenue producer in the District, we could not compute elapsed processing time from receipt to deposit. The information needed to compute the processing time would have to come from tax returns and we do not have access to these records. The D.C. Inspector General could do an analysis to determine how long DFR takes to process receipts for deposit. Such an analysis would highlight whether delays are occurring at DFR.

Several District agencies return the payment along with incorrect documentation which results in not only a delay in depositing the payment but also an increase in the overall workload. We believe that only the documentation should be returned for correction and the payment should be deposited. This is in line with Municipal Finance Officers Association guidelines.

We originally recommended that the Recorder of Deeds be directed to review and revise its interpretation of D.C. Code section 29-399 to permit separation and deposit of payment from documentation early in the review process. The Recorder took exception on the basis that its interpretation was a clear reading of the law. While we do not find this position persuasive, we agree that a solution to the problem would be to amend the code so that separation and early deposit would be explicitly permitted. Similarly, we sought a solution to the problem of rejecting corporate papers and the concomitant need to again review the papers upon resubmission with the accompanying increase in workload and processing costs. The Recorder took exception on the basis that such action was required by the statute. Accordingly, we are recommending that the code be revised to allow the Recorder of Deeds to minimize the number of corporate papers returned.

RECOMMENDATIONS

To improve overall control over receipts processing we recommend that the Mayor direct the D.C. Treasury to complete and distribute written standards and guidelines detailing the procedures agencies must follow in processing incoming receipts. These procedures should require, among other things, the specific actions recommended below.

- Instruct DLII and the Department of Insurance to remove checks from accompanying paperwork at the earliest stages of processing.
- Direct DHCD and D.C. General Hospital to centralize collection of receipts.
- Require District agencies to log in and date-stamp all receipts.
- Direct the Recorder of Deeds to publish a listing of the most common errors made in preparing annual reports which cause these reports to be rejected.
- Require the Department of Insurance to include on the instruction sheet sent with applications for new licenses the same information about typing the form as appears on the rejection letter.
- Direct all agencies to deposit checks payable for incorrect amounts and make necessary accounting adjustments later.

The Mayor should seek enactment of legislation: (1) to amend section 29-399 of the D.C. Code so as to require that the fee required for annual reports be paid at the time the report is tendered for filing; and (2) to amend section 29-585 so as to provide that if the Mayor finds that the annual report does not conform to law, he shall either promptly return the same to the corporation for any necessary corrections or, where appropriate, notify the corporation that additional documents be filed.

To insure that the District's largest revenue producer is depositing receipts promptly, we recommend that the Mayor direct the D.C. Inspector General to analyze DFR's processing of incoming receipts to determine how efficiently the receipts are being deposited.

AGENCY COMMENTS

District officials did not respond specifically to all of the recommendations contained in the draft report. We acknowledged in the draft that D.C. Treasury was in the process of developing District-wide written standards and guidelines, and we recommended that the Mayor direct the D.C. Treasury to complete and distribute the guidelines. We enumerated several specific recommendations for inclusion in the guidelines directed at correcting problems we noted during our review. We made two additional recommendations, one dealing with a

D.C. Inspector General review of DFR's receipts processing and the other dealing with the Recorder of Deeds' interpretation of certain legislation. District officials did not comment on the recommendation for an Inspector General audit of DFR, and we have revised our recommendation concerning the Recorder of Deeds as discussed on page 6.

District officials acknowledged our recommendation concerning District-wide guidelines and stated that the Office of the Controller had been requested to give it further consideration. The remainder of the District's comments were comprised of a commentary concerning specific agencies' actions on the matters we felt should be included in the guidelines or the reasons for not taking action. Except for the matter concerning the Recorder of Deeds' acceptance of corporate papers, which we now feel can be dealt with more expeditiously through a change in the statute as discussed on page 11, we believe our recommendations as originally stated in the draft report continue to have merit, as discussed below.

With respect to our recommendation that DLII and the Department of Insurance remove checks at the earliest stage of processing, District officials said that they were in agreement for the Department of Insurance and the Department's procedures had been changed to provide for detaching and depositing checks at the first stage of processing. For DLII however, the District said that the current system for processing applications and checks does not provide for immediate deposit, but the DLII process is being thoroughly analyzed to revise procedures to the extent necessary to ensure timely deposit of checks.

District officials advised that, with respect to centralizing collections, DHCD had issued an administrative instruction establishing new cash collection procedures. However, these procedures do not speak to the issues discussed in the report in terms of the number of DHCD collection points and do not require centralization of the collection activity. On the other hand, the procedures, if properly implemented, should reduce the number of collection points and should speed up the process whereby the various collection points transfer collections to the DHCD Comptroller for deposit.

District officials said that the cashier's office at D.C. General Hospital is the focal point of all deposited receipts and that mail receipts are normally sent to the cashier's office although they said that some mail containing checks is occasionally delivered to the Billing and Collection Section where it is logged and sent directly to the cashier's office. We reviewed D.C. General Hospital receipts for April

1982. Of the approximately \$6.4 million received, about \$6.2 million was initially received by the Patient Accounts Branch of the Billing and Collection Section. About \$4.7 million was transferred to the cashier's office the day it was received; the remainder was not transferred until from 1 to 3 days later. Centralizing collection would eliminate the loss resulting from this delay.

District officials did not comment directly on our recommendation that District-wide procedures require District agencies to log in and date-stamp receipts. The District's reply enumerated actions being taken by some agencies to log in and date-stamp receipts. We believe that the control provided by these procedures would serve to highlight slow processing, facilitate identifying the causes thereof, and provide the District with an excellent monitoring tool. To the extent that such a procedure is impracticable for a specific agency, the agency involved could seek a waiver from complying, after review and approval by the Controller's office.

District officials did not agree that it would be helpful to publish a listing of the most common errors made in preparing annual reports rejected by the Recorder of Deeds. They said the primary problem was failure on the part of the applicant corporations to read and follow the simple instructions on the form itself. They said that they failed to understand how publishing a paper containing common errors would help applicants. As pointed out on page 10, about one-third of the 50,000 to 60,000 documents received by the Recorder of Deeds are rejected annually. It seems to us that a significant effort to reduce this number of rejections is imperative. If, in the District's view, applicants are not reading the instructions carefully enough, they should be reminded to do so, and the published list of common errors seems a likely place for such a reminder.

In a similar matter involving the Department of Insurance, District officials did not agree with our recommendation that the information sheet accompanying the application be revised to advise the applicants that when they complete the application they are also preparing the license and that applications completed with anything but an electric typewriter will be returned. District officials said that applicants were not reading the instructions, and they could see no benefit in revising the information sheet. Our view is that the commentary on the rejection letter gives the applicant substantially more information and spells out more clearly the consequences of not properly preparing the application than does the terse statement currently accompanying the application form. Accordingly, we believe the District should revise

the information sheet in an effort to reduce the number of improperly prepared applications submitted.

District officials did not comment specifically on our recommendation to include in the guidelines a requirement that all District agencies deposit checks payable for incorrect amounts and make necessary accounting adjustments later. The reply enumerated what the several agencies were doing and included some agencies' rationales for not depositing checks for incorrect amounts. For the Recorder of Deeds, for example, District officials said checks in incorrect amounts were not a problem area because such checks are returned to the applicant with instructions to resubmit a current-dated check. We believe this very rationale supports our position of depositing such checks since the District loses the use and investment power of the entire check until it is resubmitted by the applicant and reprocessed and deposited by the Recorder. Under our recommended approach, only the difference in amounts would be lost to the District in the case of an underpayment. We believe similar rationale applies to other agencies which do not deposit checks for incorrect amounts.

- - - -

Section 736(b) of the District of Columbia Self-Government and Governmental Reorganization Act (Public Law 93-198, 87 Stat. 774), approved December 24, 1973, requires the Mayor, within 90 days after receiving our audit report, to state in writing to the District Council what has been done to comply with our recommendations and send a copy of the statement to the Congress. Section 442(a)(5) of the same act also requires the Mayor to report, in the District of Columbia's annual budget request to the District Council, on the status of efforts to comply with such recommendations.

We are sending copies of this report to interested congressional committees; the Director, Office of Management and Budget; and to each member of the Council of the District of Columbia.

Sincerely yours,

W. J. Anderson

William J. Anderson
Director

GOVERNMENT OF THE DISTRICT OF COLUMBIA
EXECUTIVE OFFICE

OFFICE OF THE CITY ADMINISTRATOR

ELIJAH B. ROGERS
CITY ADMINISTRATOR
1350 E STREET, N.W. - ROOM 507
WASHINGTON, D.C. 20004

NOV 12 1982

William J. Anderson
Director
United States General Accounting
Office
Washington, D.C. 20548

Dear Mr. Anderson:

On October 7, 1982, you forwarded a draft report entitled "Some District Agencies Deposit Receipts Timely; Others Need to Improve". We are pleased to note your positive findings in respect to the process in many agencies. Individual agency comments follow:

D.C. General Hospital:

The Cashier's Office is the focal point of all deposited receipts. Receipts are counter as well as mail and are deposited the day received with few exceptions. Mail receipts are normally sent to the Cashier's Office. On occasions, some mail bearing checks is delivered to the Billing and Collections Section. These checks are logged and sent directly to the Cashier's Office.

The Draft Audit mentions reductions of timeliness by centralized collections. I feel that the 3.3 days turnover is commendable despite the routing procedures currently used. (The 3.3 days mentioned includes Armored Car transit time and D.C. Treasury processing; the majority of D.C. General's receipts are deposited the same day received). Further reductions of this time lapse could possibly be accomplished by reviewing the procedures for deposit processing at the D.C. Treasury.

Department of Licenses, Investigations and Inspections:

Our current system for processing applications and checks does not provide for immediate deposits because of the complexities in processing the various applications for licenses and the recordkeeping problems associated with such a procedure. Under the present system the records of the Applications Branch indicate that there has not been a problem with lost, stolen or stale checks and less than one fourth of one percent of total processing results in refunds.

Presently the system provides for the applications to be date-stamped and logged-in and the checks remain with the application. To separate the check at this point, under current procedures, would create serious recordkeeping problems in trying to address all situations.

We are conducting a thorough analysis of the processing and fiscal consequences to revise procedures to the extent necessary to ensure timely deposit of checks.

Department of Housing and Community Development:

GAO Recommendation: Collection of receipts should be centralized (page 8)

Comment: DHCD issued an administrative instruction (attached) on August 23, 1982 establishing new cash collection procedures. This instruction has been fully implemented except for the establishment of one remaining post office box needed to handle general departmental cash receipts. DHCD's application for the post office box is pending.

GAO Recommendation: Standards for prompt deposit of receipts should be developed and agency adherence monitored (page 10)

Comment: DHCD personnel no longer pick up urban

renewal rent payments from the post office lock box. This function is now performed by an independent, bonded service bureau which handles the receipts in the same manner as public housing rents. The accounts receivable, billing and cash collection accounting is performed by the service bureau, which provides computer generated reports of all transactions to DHCD. Detailed daily records of all cash receipts are now available.

GAO Recommendation: Payments for incorrect amounts should be deposited rather than returned (page 12)

Comment: As pointed out by GAO, DHCD's policy and practice regarding the handling of payments for incorrect amounts is consistent with GAO's recommendation.

Department of Environmental Services:

On page 4 of subject report, the auditor stated that the computed elapsed time between the receipt of payments by DES and deposit with the D.C. Treasury was 5.2 days which was considered reasonable under our operating circumstances. Even though no specific recommendation was made relative to DES beginning on page 14 of subject report, we will attempt to reduce the elapsed time of 5.2 days between receipt of payments and subsequent deposit with the D.C. Treasury.

Department of Insurance:

It is suggested that our department initiate a procedure of removing checks from accompanying paperwork at the earliest stages of processing. We are in agreement with this recommendation and have already changed our procedures so as to detach and deposit checks at the first stage of the licensing process.

It is suggested that District agencies log in and date-stamp all receipts. Our department has resumed the date-stamping of applications and we are in agreement with that recommendation, however, we do not agree with the requirement that our department log in all applications. We have

been able to process thousands of applications over the last 25 years without any adverse effects of not logging them in and it is our opinion that the time that would be consumed to log them in would be a total waste.

The report suggests that our department should be required to include on the instruction sheet sent with applications for new licenses the same information about typing the form as appears on the rejection letter. We do not agree with the recommendation. Item #1 in the general application instructions states in bold capital letters "type the application with an electric typewriter". We do not think the instruction could be made any clearer. The problem is that the instruction is apparently not being read by applicants and we do not believe any elaboration of the instruction would overcome that problem.

It is recommended that all agencies deposit checks payable for incorrect amounts and make necessary accounting adjustment later. Nearly all of the incorrect amounts relative to agents licenses are less than \$10. It is therefore our belief that it is much simpler to return the checks than do the additional paperwork required if we collected a \$10 fee in two installments. The loss of revenue to the District in these cases would be negligible.

It is our view that District-wide procedures for handling receipts would be in order, however, they should be general enough so that problems peculiar to each department could be resolved within the guidelines.

Recorder of Deeds:

The General Accounting Office Draft Report of October 7, 1982 discusses or makes recommendations for four areas of the Recorder of Deeds' processing. All of these areas are discussed in these comments and are as follow:

- I. Legal Requirement for Holding Annual Report Payment Checks.
- II. Rejection Rate of Annual Reports.

III. Incorrect Filing Amounts.

IV. Handling of Large Payment Checks.

I. Legal Requirement for Holding Annual Report Payment Checks.

The Office of Recorder of Deeds advised the General Accounting Office (hereafter, GAO) that D.C. law requires that checks tendered in payment of corporate annual reporting fees cannot be deposited until the annual report itself has been accepted for filing. GAO disputes this position, referring to it as an incorrect interpretation of the statutes by the Recorder of Deeds. This position is not an interpretation of the statutes, but a clear reading of the law. No document tendered to the Corporation Division of the Recorder of Deeds is filed until it has been approved, accepted for filing, and marked "filed" by that office.^{1/} Once a document has been so filed by the Recorder of Deeds, there is no authority in the statutes to remove the document from record short of a court order.^{2/} The statutes further mandate that the fee is payable at the time the document is filed.^{3/} Therefore, acceptance of payment by processing and depositing payment checks is tantamount to acknowledging to the tendering corporation that the report has been accepted for filing. This is not the case. The problem arises not from an incorrect interpretation of the statutes, but rather from the failure of the statutes to differentiate between a "tender" and a "filing." Acceptance of the annual report fee checks prior to review of the annual report itself would cause the Recorder of Deeds to give the public the misimpression that the report had been accepted and filed.

II. Rejection Rate of Annual Reports.

As GAO points out, the reasons that annual reports are most commonly rejected are because of simple oversights or errors. We agree. However, these rejections reflect failure on the part of applicant corporations to read and follow the simple instructions on the form itself. The General Accounting Office has reviewed that form and determined that the form is simple and understandable. GAO could

not suggest any way to make the form easier to understand and file. We fail to understand how adding another paper publishing common errors will help applicants whose current errors result from failure to read the form in the first place. This would only generate more needless paperwork.

GAO suggests that the Recorder of Deeds accept annual reports for filing whether they are correct or not, because they would simply reflect "a corporation's current situation." The Recorder of Deeds is precluded by law from knowingly accepting incorrect reports. For example, D.C. Code, Title 29, Section 29-585 requires that the Mayor (by delegation of authority, the Recorder of Deeds) shall determine whether the report conforms to law before filing it.

This office cannot support a suggestion that would have it violate the very law it is charged to administer.

The GAO suggests that if the Recorder of Deeds accepts annual reports regardless of incorrect information on the reports, the Recorder could simply refuse to issue certificates of good standing on such corporations. Two problems are apparent. GAO misunderstands what a certificate of good standing is. It is a document issued to corporations which have complied with all statutory requirements, which includes among other things the filing of their annual reports. If this office accepts reports for filing, regardless of errors in the report, the filing requirement has been met and we would have no basis for refusing to issue the certificate.

The determination of what corporations are in good standing would become administratively untenable. Each time a request is made for a certificate, the corporation file would have to be pulled and the latest annual report reviewed time and again to determine whether it conformed to the law. This review cannot be accomplished by the Corporate Records staff. That staff is not qualified to review annual report content. As a result, the determination of good standing would only be made after pulling the filing and having it reviewed by a staff member in the annual reports area.

III. Incorrect Filing Amounts.

Whether or not the payment amount is correct does not present a problem with expediting the deposit of checks. If a check is tendered for an incorrect amount, both the check and the annual report are returned to the applicant with instructions that a correct, current-dated check be refiled. That correct check, upon return with the report, is handled immediately. This is not a problem area.

IV. Handling of Large Payment Checks.

It should be noted that the Office of Recorder of Deeds has procedures for handling all large checks--any check in excess of \$50. Such checks are separately listed and handled on a priority basis. Any lengthy delay noted for deposit of such checks is occasioned by the fact that when reports with large checks are rejected, quite often the same checks are returned with the reports. This gives the impression that there was a delay caused by this office.

Department of Transportation:

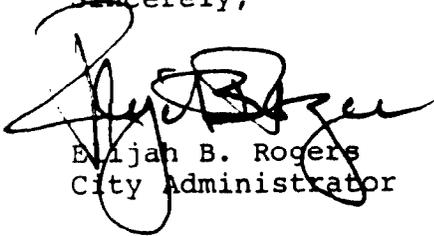
We have reviewed the subject draft report of GAO as it pertains to the operations of the DOT Miscellaneous Trust Fund.

According to the report, DOT has not in the past recorded the date when payment is actually received and that some checks are held for as long as seven days before being deposited. Although we feel that most checks are presently being properly deposited on a timely basis, we agree that this process can be improved.

Therefore pursuant to the recommendations in the report, we are implementing the following procedure. Effective immediately, the accompanying receipt advice for all checks will be date stamped on the same day it is received. All checks will then be prepared for deposit and submitted to the D.C. Treasurer on a daily basis.

In conclusion, I have requested the Office of the Controller to give further consideration to your recommendation that District-wide guidelines for prompt processing and deposit procedures be developed.

Sincerely,



Elijah B. Rogers
City Administrator

cc: Robert B. Johnson
Carol B. Thompson
Robert L. Moore
William B. Johnson
James R. Montgomery, III
Margurite C. Stokes
Thomas M. Downs
Al Hill



GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
WASHINGTON, D.C.

Reply To

August 23, 1982

DHCD ADMINISTRATIVE INSTRUCTION Series: Office of the Director/Comptroller

No.: 82-301

Subject: Cash Collection Procedures

1. Purpose

This purpose of this instruction is to establish controls over cash collections in order to minimize the risk of loss or delay in depositing such receipts, safeguard the assets of the District of Columbia, and maximize investment return.

2. Scope

This instruction applies to all cash receipts of the Department.

3. Policy

It shall be the policy of the Department to deposit cash receipts in the D.C. Treasury on the day received (subject to normal working hours).

4. Definition

Cash receipts include checks, money orders, scrip or coin.

5. Procedures

A.0 Form of Cash Receipts

A.1 The Department shall require payment by check or money order drawn to the order of "D.C. Department of Housing and Community Development."

B.0 Procedures for Hand Delivered Receipts

B.1 Each Administrator shall designate a limited number of staff authorized to receive cash collections. At a minimum, each Administration shall have a primary designee and an alternate. Authorization cards signed by the Administrator and Comptroller shall be established for each designee.

- B.2 Only authorized staff may handle cash collections, whether delivered to the Department or received through the mail.
- B.3 On the day received, authorized staff must deliver and deposit all receipts directly to the Department safe in the Office of the Comptroller. A standard Department Cash Receipt Form must be completed and attached to cash receipts deposited in the safe. Instructions to the Office of the Comptroller regarding deposit or safekeeping are to be given on the cash receipt form.
- C.0 Procedure for Mailed Receipts
 - C.1 The Office of the Comptroller shall maintain post office boxes as needed for collections transmitted by mail and shall inform Administrations of the types of receipts to be mailed to each. Clients shall be encouraged to mail receipts whenever possible.
 - C.2 Department correspondence which requests payments by mail must refer to the appropriate post office box.
- D.0 Timing of Deposit
 - D.1 The Office of the Comptroller shall deposit cash collections on the day received subject to normal working hours.
- E.0 Exceptions
 - E.1 The Department Comptroller must approve any exceptions to these procedures.

Effective Date

These instructions are effective immediately.



Robert L. Moore
Director

DISTRIBUTION: Deputy Director
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