March 17, 2020

Jeffrey S. DeWitt
Chief Financial Officer
Office of the Chief Financial Officer
1350 Pennsylvania Avenue, N.W., Suite 203
Washington, D.C. 20004

Dear Chief Financial Officer DeWitt:

I am writing to notify you that we have concluded our evaluation of the Office of the Chief Financial Officer’s Central Collection Unit (CCU). This letter summarizes the key issues we identified and how we addressed them. This letter also constitutes the close-out report for the evaluation.

**Background** – The Delinquent Debt Recovery Act of 2012 (Act),¹ which established the CCU, and endeavored to centralize and enhance the District’s capability to collect fines and penalties owed to District agencies. A 2011 notice of public hearing from the Committee on Government Operations summarized the Act’s intent.

A diverse array of agencies issue citations and impose fines on those who violate District law. However, agencies often lack the expertise and resources needed to ensure that these fines are paid. Consequently, millions of dollars that are owed to the District remain unpaid each year. This legislation seeks to increase the District’s revenue by collecting more of the funds that are owed to the District. This bill would improve the District’s collections by removing collections activities from agencies and consolidating the collections process within the Executive.²

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The Act enumerates several key duties and provisions for District agencies and the CCU:

1. “[E]ach District agency shall transfer and refer delinquent debts to the [CCU] within 60 days after a financial obligation owed by a person to the District becomes a delinquent debt.”

2. “The procedure for transfer and referral of delinquent debt by each District agency to the [CCU], including the format and means of delivery of the information, shall be established by the Central Collection Unit within 120 days of September 20, 2012.”

3. “Each District agency that transfers and refers a delinquent debt of more than $100 to the [CCU] for collection shall, within 5 days of the transfer and referral, suspend the granting or issuance of any District license or permit to the delinquent debtor.”

4. “The [CCU] shall provide to all District agencies, within 10 days of the end of the preceding month, a list of the names of all persons currently subject to suspension of the granting or issuing of a District license or permit due to delinquent debt of more than $100.”

In September 2017, OCFO’s Office of Integrity and Oversight (OIO) published an audit of the CCU. The OIO found that “although the legislation that established the CCU required that it should commence full operation on October 1, 2013, this has not been achieved” and that the CCU was “only currently concentrating on collecting the Department of Motor Vehicles” delinquent debts. The OIO recommended, among other things, that the CCU “[c]ontinue to work with District agencies to identify all debt sources that should be collected by the CCU … and agree on a format for debt transmission through a Memorandum of Understanding with each agency.”

CCU’s annual report7 for 2018 (dated March 1, 2019) explained that a matter before the District’s Contract Appeals Board had delayed the award of a contract for collection services and information technology that CCU needed to implement before it could begin to attempt collecting debts owed to District agencies other than DMV, United Medical Center, and the University of the District of Columbia.8 The FY 2018 annual report stated that the amount of uncollected delinquent debt owed to the District and eligible for CCU collection was approximately $39 million and that the CCU collected over $35 million in FY 2018.9

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3 D.C. Code § 1-350.02(a) (current through Mar. 4, 2020).
4 Id. § 1-350.02(c).
5 Id. § 1-350.07(a).
6 Id. § 1-350.07(c).
7 The Act requires that on or before March 1 of each year, the CCU will issue a report to the Mayor and the Council that includes: “(1) the amount of delinquent debt collected in the preceding fiscal year; (2) the amount of uncollected delinquent debt owed to the District; and (3) a summary of the efforts made to collect delinquent debt owed to the District and the challenges that remain for collecting it.” D.C. Code § 1-350.11.
9 Id. at 3 and 5.
Objectives and overview of OIG fieldwork – The objectives of this review, which was part of the OIG’s Fiscal Year 2019 Audit and Inspection Plan, were to evaluate: (1) the processes through which District agencies identify, document, and transferred aged receivables (i.e., debts owed to the District) to the CCU; and (2) CCU’s oversight and management of the collections processes, and recommended improvements in areas to include debt collections and the effectiveness of CCU’s contract administration.

To prepare for fieldwork, the OIG reviewed the following documents: CCU policies (policy numbers 200010701 – 20010709), CCU Annual Reports from fiscal year (FY) 2015 through FY 2019, and the OIO’s September 2017 audit of the CCU. We conducted several interviews with CCU employees and communicated with points of contact in a number of agencies subject to the requirements of the Act, including the: D.C. Fire and Emergency Medical Services Department (FEMS); Department of Consumer and Regulatory Affairs (DCRA), Department of Public Works (DPW), Metropolitan Police Department, D.C. Department of Health (DOH), and Department of Energy and Environment (DOEE).

Primary issues identified and reported on during this evaluation – From our review of these documents and initial interviews with CCU employees, we learned that the CCU was not yet fully functional and was only working to collect debt for a limited number of District agencies. We then worked to gauge District agencies’ awareness and understanding of various provisions and requirements of the Act, and through that fieldwork, identified the first issue, which was the amount of delinquent debt held at FEMS.

FEMS – Outstanding receivables related to ambulance billing – The OIG learned that FEMS continued to hold a considerable amount of delinquent debt associated with unpaid ambulance bills that had not yet been transferred to the CCU. To assess this issue, the OIG first analyzed ambulance billing and account information for the period of July 2016 to August 2019 contained in monthly summary reports furnished by the contractor that provides patient account management services to FEMS. The OIG then sent a letter to FEMS on October 25, 2019, requesting additional information and answers to questions that resulted from our analysis.

A December 12, 2019, letter to the OIG co-authored by FEMS’ contractor and OCFO provided this update:

OIG Question 14: (OCFO Providing Answer)
Section C.5.1.16 of FEMS current contract with Intermedix (contract #C42156) states that Intermedix "shall securely transfer all unpaid patient accounts ... to the District Office of Treasury Central Collections Unit (CCU) not more than sixty (60) calendar days after a patient account is classified delinquent." Has Intermedix ever transferred any unpaid patient accounts to the CCU?

10 In March 2009, the OIG published the Audit of the Department of Fire and Emergency Medical Services’ Administration of Ambulance Billing Contracts (OIG No. 07-2-31FB), which found outstanding receivables valued at over $64 million.
OCFO Answer - Question 14:
As a part of the FY 2019 year-end closing process, the accounting team of the Public Safety and Justice Cluster (PSJC) of the OCFO completed an analysis of recorded accounts receivable with service dates older than 90 days. This full account receivable balance was then transferred to CCU, totaling $117.9M. Both FEMS and the Office of Finance and Treasury (OFT) are currently working together to formalize the process for CCU to obtain the detailed account information which will support this balance and remain in compliance with all [f]ederal and local laws.11

FEMS’ performance oversight responses to the Committee on the Judiciary and Public Safety, dated January 23, 2020, provide additional insight into FEMS’ work with regard to delinquent ambulance bills.

The Department is supporting a new debt collection process that will be conducted by the OCFO’s Central Collections Unit (CCU). The CCU is an existing unit within OCFO that is responsible for collecting debt on behalf of District agencies, for example, unpaid parking tickets, overdue government invoices, etc. During the previous administration, Council initiated legislation requiring the CCU to collect outstanding ambulance billing debts. The CCU is preparing to start this process, anticipated to be [sic] in February 2020. Debtors will receive a notice reminding them of the debt and informing them that debt collections will start if the debt is not paid by a certain date. The CCU has hired a vendor for this purpose. EMS is in the process of sharing all the data needed by the CCU to start.12

During our fieldwork, the OIG also looked at a specific individual whose delinquent debts DCRA transferred to the CCU several years ago. Using those delinquent debts as a starting point, the OIG worked to identify the infractions that DCRA eventually converted into delinquent debt. The OIG constructed a years-long chronology of attempts by numerous District entities to hold a property owner accountable, which we documented in Management Alert Report (MAR) 20-I-001. We sent the MAR to City Administrator Rashad Young on December 13, 2019. 13

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11 Letter from Lara Kaplan, Client Relations Manager, R1-RCM (formerly Intermedix) to Andrew R. Beaton, Contract Administrator, DC Fire and EMS Department (Dec. 12, 2019) (on file with the OIG).
13 The OIG received a response from the Deputy Mayor for Operations and Infrastructure on January 24, 2020.
Management Alert Report 20-I-001: Multi-Agency Enforcement and Adjudication Activities – The MAR analyzed enforcement and adjudication activities related to two, four-unit apartment buildings owned by one individual for nearly 15 years. While some of the issues in the MAR possibly warranted immediate corrective actions (e.g., abatement of fire safety violations), other issues presented were “indicative of inadequate internal controls, gaps in District agencies’ oversight practices, and a lack of coordination and information sharing among agencies.”

The individual who owned the properties addressed in the MAR owed a number of delinquent debts, several of which, according to documentation the CCU provided, had been transferred to the CCU in 2015, 2016, and 2017. The MAR presents a detailed chronology of how various District government agencies devoted considerable time and resources to document and adjudicate various infractions at the properties, yet the owner ultimately faced few consequences. In fact, despite the property owner’s numerous outstanding debts, the District conferred various benefits, such as housing subsidy payments, access to grant funding for lead-based paint hazard abatement work, and DCRA construction permits for other properties he owned.

By publishing the MAR, the OIG sought to initiate dialog and collaboration among District government entities that will result in more efficient and effective oversight and enforcement practices in various agencies. The Act intends to prevent the issuance of any District license or permit to a delinquent debtor. As the MAR illustrates, there is an opportunity for the CCU to collaborate with other District agencies to implement processes that reduce the likelihood a delinquent debtor receives a license or permit for which he/she is ineligible.

Awareness among District agencies subject to the Act – In July and August 2019, the OIG communicated with District agencies to assess their general awareness of the Act and the primary requirement that applies to them: that each District agency transfer and refer delinquent debts to the CCU within 60 days after a financial obligation owed by a person becomes a delinquent debt. The OIG found varying levels of awareness. Some agencies’ fiscal officers were aware of the Act and its requirements, and had transferred delinquent debt to the CCU. For example, DOEE informed the OIG that since inception of the CCU, DOEE had corresponded regularly with and received written guidance from the CCU, and in 2018, transferred over $1 million in delinquent debt and sent supporting documentation to the CCU. Other agencies informed the OIG that they had not received any information or guidance from the CCU, and did not know whether their agency had ever transferred debt to the CCU. Furthermore, respondents from several agencies with authority to issue infractions that carry fines and penalties, including DPW and DOH, did not know whether their agency held any outstanding debt.

Award of new collections contract – In its FY 2019 annual report, which was published on February 28, 2020, the CCU states that the amount of net uncollected delinquent debt owed to the District was $162,113,719, an increase of over approximately $123,000,000 compared to the previous year that is presumably due to FEMS’ transfer of the accounts receivable balance associated with unpaid ambulance bills. The report states that in May 2019, OCFO awarded a

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contract to Harris & Harris “to collect all non-tax debt over 90 days on behalf of CCU for the District and its affiliated agencies,” and that the following entities were being served by CCU as of FY 2019: DMV, UMC, UDC, Office of Finance and Treasury, DCRA, and the Office of the State Superintendent of Education.

While the award of the H&H contract will increase the amount and types of debt collected, the CCU annual report issued the following caveat:

A challenge that CCU faces is acquiring data for collections as agencies have not retained required fields of data or retained accurate records. Sometimes antiquated systems may prohibit export of required data needed by the collection contractor. However, the CCU is developing an implementation team consisting of accounting, technical, and business analysts to work with agencies to identify their debts and develop data collections systems.

Given inconsistent awareness of CCU operations and knowledge of debts owed to their agencies among those District employees we contacted, the OIG is encouraged to read that the CCU will stand up an implementation team to work with agencies to identify debts owed to them.

Although we have concluded this evaluation of the CCU, in FY 2021, the OIG will request an update on the status of CCU operations and some of the issues identified in this letter. In the meantime, I am requesting your office provide me a PDF of the contract that OCFO awarded to Harris & Harris. Thank you for the courtesies and cooperation demonstrated by your office during this evaluation.

Sincerely,

Daniel W. Lucas
Inspector General

DWL/ef

cc: See Distribution List

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15 Id.
16 Id. at 6.
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