

**PUBLIC OVERSIGHT HEARING**

**ON**

**THE FISCAL YEAR 2008 AND 2009 SPENDING AND  
PERFORMANCE BY THE OFFICE OF THE CHIEF  
FINANCIAL OFFICER (OCFO)**

**Before the  
Committee on Finance and Revenue  
Council of the District of Columbia**

**The Honorable Jack Evans, Chairman**

**March 6, 2009, 10:00 a.m.  
John A. Wilson Building, Council Chamber**



**Testimony of  
Anthony F. Pompa  
Deputy Chief Financial Officer  
Office of Financial Operations and Systems**

**Natwar M. Gandhi  
Chief Financial Officer  
Government of the District of Columbia**

Good morning Chairman Evans and members of the committee. My name is Anthony Pompa, Deputy Chief Financial Officer for the Office of Financial Operations and Systems (OFOS). I am here to testify about the fiscal year (FY) 2008 and 2009 performance of OFOS.

### **FY 2008 Accomplishments**

I am pleased to report to you that the CAFR for the year ended September 30, 2008 was issued on time with a clean audit opinion.

OFOS began FY 2008 by evaluating lessons learned from the previous fiscal years, developing strategies to continually refine our processes, and preparing for an improved closing of the accounting records.

The monthly, interim and year-end closing instructions were posted on the OCFO Intranet Web site for access and ease of use by the agencies. This enabled financial managers throughout the District, at both agency and central office levels, to retrieve information and instructions electronically, and to complete the tasks as described and meet the deadlines required by OFOS. The District's closing process and eventual reporting begin immediately following the end of the fiscal year on September 30. Agencies and other entities of the District process year-end entries, reconcile accounts and complete their closing packages, which are reviewed by OFOS staff.

It is important to note that the responsibility and duty to ensure that financial activities of all District agencies are competently summarized and presented in accordance with the accounting standards established by the Governmental Accounting Standards Board

(GASB) rests solely with the Financial Control & Reporting Division (FCRD) of OFOS.

The FCRD staff is responsible for the intensive examination of reports, analysis of data, preparation of reclassification and other correcting entries, and interactions with agency and other entity staff and the external auditing team. The staff also provides guidance to agencies throughout the year on the proper application of generally accepted accounting principles.

The FCRD prepares the District's CAFR, while most other jurisdictions use external assistance. Most other jurisdictions in the country take six months to publish their CAFR, while the District prepares and publishes its CAFR in less than four months. Additionally, the FCRD is responsible for compilation and issuance of the Popular Annual Financial Report (PAFR), which complements the CAFR and is geared to stakeholders who desire an overall financial view of the city without having to review the more complex CAFR. This division published the District's first PAFR in FY 2004 and has received the GFOA's prestigious national award *Certificate of Achievement for Excellence in Financial Reporting* for every publication.

This office provides quality and professional financial management assistance to agencies throughout the District via the Accounting Systems Managers (ASM) program and the Functional Integration Team (FIT).

The ASM/FIT Team supports District agencies by providing training on several automated systems: the System of Accounting and Reporting (SOAR); the Procurement Automated Support System (PASS) and the new PeopleSoft Payroll System. All employees must receive basic introductory training in each system prior to their

receiving a password and access to the system. Additionally, OFOS assisted agencies with information requests such as the Office of Local Business Development focusing on payments made to Local, Small and Disadvantaged Business Enterprises over the course of the year. This team provides invaluable assistance to agencies with the monthly, interim and year-end closings, and offers professional advice on the recording of business events in SOAR.

The Office of Pay and Retirement Services (OPRS) continued to provide excellent service to active and retired District employees, as well as annuitants of several federal agencies. During FY 2008, OPRS processed three biweekly and one semi-monthly payroll for approximately 37,000 employees and one monthly annuity payroll for approximately 3,800 federal annuitants. These payrolls were processed using three different payroll systems, the new PeopleSoft Payroll System, the Comprehensive Automated Personnel and Payroll System (CAPPS), and the Pension Automated Payroll System (PAPS).

OPRS continued with the implementation of the new PeopleSoft Payroll System during FY 2008. With the exception of D.C. Public Schools (DCPS), all active District Government employees are paid through the PeopleSoft Payroll System. On-line time reporting is performed by all employees and timekeepers throughout the District, with on-line time approval by the corresponding manager or supervisor. The PeopleSoft Payroll System provides employees the ability to access their pay stubs on-line through the Employee Self Service (ESS) a couple of days before the actual pay date. Through ESS, employees can view and print earnings information for the current pay period, as well as earnings from prior pay periods. The ESS features allow employees to perform a variety of actions such as: start/stop/change allotments; change withholdings for

Federal and State taxes; designate dollar amounts for contribution to the District's 457 Deferred Compensation Plan; change their home address and update other personal information regarding self and/or dependents.

## **FY 2009 Developments and Goals**

### **PeopleSoft for DCPS:**

The OPRS, along with the Office of the Chief Technology Office (OCTO) and the Department of Human Resources (DCHR), will endeavor to bring D.C. Public Schools (DCPS) on-line with PeopleSoft in FY 2009. During the first quarter of FY 2009, two former DCPS departments were converted from CAPPs to the PeopleSoft Payroll System: the Transportation Division - Special Education and the Office of Public Education Facilities Modernization. As we move forward in FY 2009, OPRS, working with DCHR and OCTO, will continue to improve the services provided to employees to meet their payroll and human resource requirements.

### **Monthly and Interim Closings:**

Throughout FY 2009, we will continue to seek improvements in overall operations. The monthly closings continue and interim closings are planned for the end of March and June 2009. Furthermore, we are continually improving and automating the interim closing each time it is conducted. Particular emphasis will be placed on areas that have been susceptible to increased audit scrutiny and Yellow Book findings. In FY 2009, we have introduced a system whereby monthly and interim closing packages submitted by agencies are rigorously evaluated to ensure the production of the highest quality and most credible financial records. This exercise will also allow us to closely monitor the monthly and quarterly closing processes and identify problem areas early enough to

implement effective corrective actions way before the end of the year.

### **Policies and Procedures:**

The OCFO has reconstituted the Financial Policies and Procedures Division within the Office of Financial Operations and Systems. The Division has already gathered the necessary information to assess the current status of the financial policies and procedures on a District-wide basis and identified the level of work needed to develop, enhance, update and revise the District-Wide Financial Policies and Procedures Manuals. The Financial Policies and Procedures Division has formulated a comprehensive approach to policies and procedures development, by establishing a matrix which identifies the sectional/modular breakdown for the new comprehensive financial policies and procedures manuals; forming project teams (cross section of OCFO Central, ACFO Clusters and Agency personnel) directed by the Financial Policies and Procedures Division; gathering an inventory of tasks with the required documentation to facilitate the development of new procedures and update existing ones; and defining the primary and secondary levels of responsibility for the preparation and review of the enhanced, updated and revised comprehensive financial policies and procedures manuals.

This comprehensive approach will target the following three principal areas: (1) District-Wide – Central Offices; (2) Across-the-Board Operations (Associate Chief Financial Officers (ACFO) and Operations Clusters); and (3) Agency Operations -Specific policies and procedures. The implementation of this approach will not only strengthen the District's internal controls over financial operations and significantly minimize or eliminate Yellow Book findings and Management Letter Comments, but will also serve as an effective tool in current and new employee orientation, training, and cross-training.

**New SOAR:**

OFOS will continue to seek ways to improve its automated capabilities by continuing to define requirements to upgrade/replace Information Technology (IT) platforms such as the automated check-writing system and SOAR. In pursuing these initiatives, OFOS and the OCFO will work closely with OCTO to enhance the efficiencies of the District's overall IT support of financial operations.

The OCFO has started the process of replacing the city's current Financial System, SOAR. The current system was implemented over ten years ago and is based on technology that is well over twenty years old and is essentially obsolete. The system is currently being supported by a sole source programmer because it is no longer supported by the developer. While the system works, there have been many needed augmentations in order for the system to conform to the District's business processes, and also to adapt to new financial accounting and reporting requirements of the Governmental Accounting Standards Board (GASB) and Sarbanes/Oxley. SOAR is currently a hodgepodge of interfaces which are necessary to adequately capture the financial data required for the preparation of the CAFR.

The OCFO has already performed data gathering for both functional and technical requirements, completed a review of the accounting classification structure, and prepared a Statement of Work for a replacement system.

Working in conjunction with OCTO we have contracted with a project management firm to guide the District in the search and evaluation of an effective and technologically advanced system.

Within its current budget, OFOS is committed to performing citywide interim closes during the year, closing the books monthly, and completing cash/bank reconciliations in a timely manner. We will continue real-time data entry into SOAR throughout the year; production of reports that meet the needs of District managers; collection and recording of reimbursements as they occur; training on SOAR at the basic, intermediate and advanced levels; and the fine-tuning of the CAFR model to capture more financial information. Through the ASM unit we have become more proactive in identifying agencies that utilize the Direct Voucher method of payment for those items falling within the OCFO Financial Management and Control Order No. 05-002, as revised, as well as any violations that may occur.

The FCRD will continue to ensure that the District implements the pronouncements of the GASB before their effective time. It will also continue to ensure that CAFR continues to be delivered on time with the cooperation of the agencies.

The OPRS will continue to enhance the new PeopleSoft payroll system, by moving to E-time and E-pay as quickly as possible for all agencies while maintaining the integrity of payroll operations. Such enhancements will allow all employees self service access to view their pay check on-line, review and make certain changes to their personal information, and eventually be able to enter their individual time on-line, for approval by their supervisor.



This concludes my formal testimony. I am happy to answer any questions you may have. Thank you.