

**PUBLIC OVERSIGHT HEARING ON
THE FISCAL YEAR 2005 AND 2006 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

**February 27, 2006, 2:00 p.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 afternoon, 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) 2005 and 2006 performance of OFOS.

FY 2005 CAFR On Time and Unqualified

For the ninth consecutive year, the Comprehensive Annual Financial Report (CAFR) was published timely with an unqualified opinion. Once again, the District issued its CAFR within its four-month reporting deadline, a noteworthy accomplishment, but thankfully for us, a routine event.

FY 2005 Accomplishments

OFOS began FY 2005 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.

This office provides quality and professional financial management assistance to agencies throughout the District. The Accounting System Managers (ASM) program continues to provide invaluable assistance to agencies with the monthly,

interim and year-end closings, and general training/advice on the recording of business events in SOAR.

The ASM/Functional Integration Team participated in the development of the new PeopleSoft Payroll module under the District's Administrative Services Modernization Program (ASMP), an Office of the Chief Technology Officer (OCTO) initiative. Additionally, this unit has been and continues to be involved with developing the ability for the entire District payroll, which means from all agencies, to post to SOAR without any manual processes and creating an interface for automated posting of all employee designated deductions. Also, ASM/FIT has assisted in facilitating the implementation of the new PeopleSoft Human Resource module by resolving interface issues between PeopleSoft HR and the Modified Uniform Personnel and Payroll System (MUPPS), which ensures employees are promptly paid and accounting is recorded accurately. Working with the Associate CFO for Government Operations, OFOS facilitated the District's third party payments for Disability Compensation, a support initiative that ended in October 2005 with the addition of a new contractor coming on-board. 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.

OFOS provided the appropriated fund processing/payments to 42 Public Charter Schools throughout FY 2005. Working with the State Education Office, D.C. Public Schools, the two chartering authorities, the Office of Budget and Planning, and the Office of Finance and Treasury, OFOS transferred more than \$172 million to individual schools, on time, as required by law.

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 to the protocols established by the Governmental Accounting Standard Board (GASB) rests solely with the Financial Control & Reporting Division (FRCRD) of 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. 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 GASB periodically makes changes to accounting and financial reporting methods or formats. Such changes have been more frequent since the GASB significantly changed the accounting and reporting standards for state and local governments with Statement No. 34, issued in 1999 and implemented by the District in FY 2002. These new GASB pronouncements are implemented by the FCRD without external consultation usually before their effective dates.

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 will continue to publish this much sought after report for FY 2005.

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 2005, the office reconciled all payroll transactions for conversion of employee payroll data from the legacy Unified Personnel Payroll System (UPPS) to MUPPS, the modified payroll system that communicates with the city's new human resources system. This workload was accomplished simultaneously as payroll records were merged to finalize year-end closing activities for the generation of employee W-2 Wage and Earnings statements.

Paying all District employees on time is another function, like the timely CAFR issuance, which rarely enjoys special recognition. When we consider how manually intensive and paper-driven the processes are, and how little, if any, advantage is taken of modern technology, the fact that no payrolls were missed or late is noteworthy. This is due in large measure to the behind-the-scenes "rescue" missions undertaken by OPRS to support District agencies on issues requiring immediate resolution to get the payroll out the door. In FY 2005, OPRS issued 39,000 W-2 Wage and Earnings statements, made more than 12,000 third-party payments (i.e., child support, garnishments, union dues, and health benefits deductions), and processed more than 15,000 supplemental payments without failure **utilizing two separate and distinct payroll systems**. In conjunction with OCTO and ASMP, OPRS continues to prepare for the implementation of the PeopleSoft payroll module.

In 2005, in partnership with the U.S. Treasury, OPRS implemented all facets of the new PeopleSoft pension module “STAR” that replaced the District’s legacy pension payroll system. (Phase II now pays more than 10,000 annuitants, consisting of judges, police, teachers, and fire fighters, who retired prior to July 1, 1997, and another group of annuitants that are a split liability between U.S. Treasury and the District. There are approximately 2,500 of these annuitants at this time.)

The OPRS processed monthly annuity checks and issued more than 7,000 IRS Form 1099-Rs to retired District police officers, firefighters, teachers, judges, and federal government law enforcement officers, including White House police, U.S. Secret Service agents, and U.S. Park Police. The OPRS successfully transitioned this function to the D.C. Retirement Board on October 1, 2005. One entity in the D.C. government now manages all non-civil service pension matters. The OPRS retained, by virtue of federal statute, the full benefits administration and customer services responsibility for federal law enforcement officers and for certifying salary history for District employees hired before January 1, 1980, who are covered by the federal Civil Service Retirement System. During FY 2005, OPRS continued to service the payroll needs of all District employees, as well as annuitants of several federal agencies.

FY 2006 Developments and Goals

Throughout FY 2006, 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 2006. Furthermore, we are continually improving and automating the interim closing each time it is conducted.

The ASMs continue to provide and apply their expertise at the agency and central finance offices. This year, they will continue training agency personnel both on-site and in the classroom during formal training sessions. This includes all training for PASS, the new procurement system under the ASMP initiative. Currently, major testing of PASS is underway prior to implementation in the D.C. Public Schools (DCPS). OFOS is gearing up to train DCPS program and finance staff in the intricacies of PASS. The ASMs will continue to play a major role with training for the District's ASMP initiative, specifically for the payroll module when it is implemented. Additionally, ASMs have assumed the lead to train staff, citywide, on the CFO\$ource management reporting tool initiated by the Office of Budget and Planning.

Under the director of the Accounting System Managers group, OFOS continues to shoulder the responsibility for functional SOAR training, as well as SOAR help desk operations and security for all financial systems applications. This structure enhances OFOS' ability to readily identify new training requirements based on feedback from the ASMs at the agency level. It also enables the original SOAR help desk to become even more responsive to agency requirements. Not only do the ASMs assist with SOAR help desk issues, they also address and resolve PASS related processing and help desk concerns.

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. My office reviews all exception requests from the agencies that may require a decision for payment as applied to the order. Additionally, we have instituted a reporting mechanism to provide indicators of how well agencies are meeting their obligations under the District's Quick Payment Act, enabling my office to alert the appropriate Associate Chief Financial Officer and agency staff on the indicators of timelessness and have corrective actions in place accordingly. The FCRD will continue to review and update the District's financial policies and procedures and to automate manual processes as we continue to strive to meet an even higher level of efficiency. 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. Finally, we, of course, will continue to pay employees and annuitants timely and accurately.

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