

**PUBLIC OVERSIGHT HEARING ON
THE FISCAL YEAR 2006 AND 2007 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 28, 2007, 11:00 a.m.
Council Chamber, John A. Wilson Building**



**Testimony of
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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) 2006 and 2007 performance of OFOS.

FY 2006 CAFR On-Time and Unqualified

For the tenth 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 2006 Accomplishments

OFOS began FY 2006 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.

Monthly, interim and year-end closing instructions were posted on the CFO 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. OFOS 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.

OFOS 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, OFOS has been and continues to be involved with developing a fully automated District payroll processing system by creating an interface for automated posting of all employee designated deductions. We also assisted in facilitating the implementation of the new PeopleSoft human resource module by resolving interface issues between PeopleSoft and the Modified Uniform Personnel and Payroll System (MUPPS), which ensures employees are promptly paid and accounting is recorded accurately.

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 protocols established by the Governmental Accounting Standards Board (GASB) rests solely with 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. OFOS 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.

GASB periodically makes changes to accounting and financial reporting methods or formats. Such changes have been more frequent since 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 OFOS, usually before their effective dates, without external assistance.

Unlike most jurisdictions that use external assistance in the preparation of their CAFR, the District's CAFR is prepared in-house, in its entirety, by OFOS. 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, OFOS is responsible for the compilation and issuance of the Popular Annual Financial Report (PAFR), which complements the CAFR and is geared toward stakeholders who desire an overall financial view of the city without having to review the more complex CAFR. OFOS began publishing the District's PAFR in FY 2004 and has received an award for excellence in popular annual financial reporting from the Government Finance Officers Association (GFOA) since its first issuance.

OFOS continued to provide excellent service to active and retired District employees, as well as annuitants of several federal agencies. 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 OFOS to support District agencies on issues requiring immediate resolution to get the payroll out the door. In FY 2006, OFOS issued 39,221 IRS Form W-2

wage and earnings statements, made more than 11,546 third-party payments (i.e., child support, garnishments, union dues, and health benefits deductions), and processed approximately 16,027 supplemental payments without failure, utilizing two separate and distinct payroll systems.

In conjunction with OCTO under the ASMP initiative, and along with the D.C. Office of Personnel (DCOP), OFOS continues to prepare for the implementation of the PeopleSoft payroll module. The ASMP payroll time and labor training plan for timekeepers and payroll supervisors was completed in FY 2006. Training began in November 2006 and is continuing at this time.

OFOS successfully transitioned benefits administration responsibilities to the District of Columbia Retirement Board (DCRB) as of October 2005. OFOS continues to support DCRB with transitional activities while maintaining full benefits administration responsibilities for federal police annuitants. OFOS also continues to provide contribution certification for active police, firefighters, and teachers.

OFOS processed monthly annuity checks and issued 3,714 IRS Form 1099-Rs last year 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.

OFOS 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 2006,

OFOS continued to service the payroll needs of all District employees, as well as annuitants of several federal agencies.

FY 2007 Developments and Goals

Throughout FY 2007, we will continue to seek improvements in overall operations. Monthly closings continue, and interim closings are planned for the end of March and June 2007. Furthermore, we are continually improving and automating the interim closing each time it is conducted.

OFOS continues to provide and apply its expertise at the agency and central finance offices. This year, we 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. OFOS has assumed the responsibility for training more than 700 D.C. Public Schools program and finance staff in the intricacies of PASS. OFOS will continue to play a major role with training for the District's ASMP initiative, specifically for the payroll module when it is implemented, assuming the responsibility for training on a city-wide basis. OFOS has assumed the lead to train staff citywide on the CFO\$ource management reporting tool initiated by the Office of Budget and Planning. Additionally, the reporting tool known as EIS (Executive Information System) is in the process of being replaced with Cognos8, a Web-based system that is more dynamic.

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 agencies. It also enables the

original SOAR help desk to become even more responsive to agency requirements. Not only does OFOS assist with SOAR help desk issues, it also addresses and resolves 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; produce reports that meet the needs of District managers; collect and record reimbursements as they occur; provide training on SOAR at the basic, intermediate and advanced levels; and fine-tune the CAFR model to capture more financial information. We will coordinate efforts to enhance our processes for analyzing and validating cash related transactions and assist in the implementation of an integrated check disbursement and account reconciliation system.

OFOS identifies 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.

OFOS 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. We will continue to ensure that the District implements the pronouncements of GASB before their required implementation dates. We will also continue to ensure that the CAFR is 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.