

**PUBLIC OVERSIGHT HEARING**  
**ON**  
**THE FISCAL YEAR 2007 AND 2008 SPENDING AND**  
**PERFORMANCE BY THE OFFICE OF FINANCE AND**  
**TREASURY (OFOS) OF 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, 2008, 10:00a.m.**  
**Chamber, John A. Wilson Building**



**Testimony of**  
**Lasana K. Mack**  
**Deputy Chief Financial Officer and Treasurer**  
**Office of Finance and Treasury**

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

Good morning, Chairman Evans and members of the committee. My name is Lasana Mack, Deputy Chief Financial Officer and Treasurer, and I manage the Office of Finance and Treasury (“OFT”). Thank you for the opportunity to present testimony regarding the operation and performance of my office for FY 2007 and FY 2008 year-to-date.

OFT’s mission is to efficiently and effectively manage the financial assets and liabilities of the Government of the District of Columbia. This includes receiving, investing, disbursing, recording and/or acquiring District financial resources.

Let me address right upfront the issue of policies and procedures and internal controls. The Office of Finance and Treasury has policies and procedures for all of its functions, and has recently gone through a process of reviewing them to determine areas in which updates or modifications were appropriate. Moreover, the Office of the Chief Financial Officer recently engaged on a pro bono basis the consulting firms of Deloitte and Ernst & Young to assess, in conjunction with OCFO staff, all of OFT’s funds-handling functions for fraud risks, vulnerabilities and internal controls, and will produce recommendations and an action plan for strengthening identified areas.

Before leaving this portion of my testimony, let me also address the issue of checks that OFT prints that are “held for pick up” by an agency. In the context of printing and distributing the many checks that OFT produces, the process of sorting and holding certain system-identified checks for previously-authorized agency personnel to pick up is something that OFT has always viewed as providing good customer service to District agencies who are ultimately seeking to provide good customer service to District vendors and taxpayers. However, this is an area that has been recently identified as one that would benefit from additional restrictions and controls.

When checks are transmitted to OFT to be printed in a print job, such print job typically includes hundreds of checks, and such checks have already been approved in the financial system to be printed. OFT personnel who run these print jobs do not know the identity of the agency personnel who entered and approved such payments to be printed as checks; they only know that such payments have been approved by authorized agency personnel who have authority in the financial system to approve them for printing. In order to strengthen the controls associated with this process, we are now restricting the receipt of “hold for pickup” checks to certain high-level agency personnel who are different from the persons that enter such payments in the financial system for that respective agency. Additional

adjustments to this process will occur going forward. There are certain scenarios in which it is beneficial for the District and its vendors to have an agency be able to have us hold checks for pickup, one of which is associated with the payment of certain utilities by the Office of Finance and Resource Management, which Mohamed Mohamed, Associate Chief Financial Officer, can elaborate on. The bottom line on this issue is that we have taken and are taking steps to strengthen the controls associated with this process and reduce its use, while also ensuring that we continue to provide quality customer service to District agencies and vendors.

**Debt Management.** In FY 2007, the District continued to see improvement in its general obligation bond ratings. In May 2007, the credit ratings on the District's general obligation bonds was increased to A1 and A+ by Moody's Investors Service and Fitch Ratings, respectively. Standard and Poor's had increased our rating to A+ in FY 2006. The District's current bond ratings represent the highest ratings that the District has ever had. These positive rating changes allow the District to issue its notes and bonds at lower interest rates, resulting in significant ongoing debt service savings. The rating agencies cited strong financial management and a history of strong financial results among their reasons for the rating increases. It should also be noted that the alleged OTR tax refund fraud has

not caused the rating agencies to change their ratings or change their overall assessment of the District.

OFT issues general obligation (GO) bonds, notes and other securities in the public financial markets to fund capital projects and cash flow needs, and manages the District's Master Equipment Lease/Purchase Program, which provides short-term financing for equipment acquisition. In FY07, OFT refinanced outstanding GO bonds to take advantage of lower interest rates, saving more than \$9.2 million in today's dollars. In addition, we issued \$576 million of GO bonds to finance the District's on-going Capital Improvements Program, and \$300 million of short-term Tax Revenue Anticipation Notes ("TRANS") to provide for seasonal cash flow needs.

**Cash Management/Banking.** OFT manages the cash, investments and banking relationships of the District, ensuring that vendors are paid timely and that interest income is earned on the funds on hand. We utilize state-of-the art technology, and continually seek ways to increase the use of technology to make our processes more efficient, such as increasing the use of ACH (automated clearinghouse) process for making payments as opposed to payments by check or individual wire transfer processes.

Within the parameters of the statutes that govern the District's management of funds, OFT has always sought ways to do business with and acquire banking services from local financial institutions. We have worked with the Council's Committee on Finance and Revenue and with the Department of Insurance, Securities and Banking to advance an amendment to the Deposit and Investment Act that will result in increased amounts of District funds being deposited and invested with local financial institutions. We are preparing for appropriate implementation of this new legislation when it becomes effective in April.

**Grants.** In FY 2007, the District received approximately \$2 billion dollars in federal grant funding (including Medicaid). The Office of Finance and Treasury manages the cash and accounting aspects of agencies' federal grant drawdowns. We have continued to enforce the principles of the federal Cash Management Improvement Act and enhance the process for monitoring agency grant receipts.

**Operations.** OFT's Operations units include Accounting, Cashiering, and Disbursing. These units perform the important functions of revenue collection, accounting and recordation services, and check printing for agencies throughout the District government. We are in the process of implementing a new cashiering

system that will improve efficiency and automation in this area, and are also planning to implement E-checking services to improve payment processing.

**Special Savings/Investment Programs.** OFT manages or assists in managing the administration of the DC College Savings Plan, the 401(a) Retirement Plan and the 457 Deferred Compensation Plan, and the Other Post Employment Benefits (OPEB) fund. We ensure that the District contracts with outside firms that will perform high quality, professional funds management and investment functions with the highest level of professionalism, and we work with those firms to seek to provide the best result for District employees and District residents.

**Unclaimed Property Program.** In FY 2007, the Unclaimed Property program continued to use the internet to auction unclaimed tangible personal property with a 100% favorable rating from auction participants. By expanding its community outreach activities, OFT continues to increase the amount of unclaimed property returned to its rightful owners.

In conclusion, I would like to thank my management team and all of the employees of the Office of Treasury and Finance who work diligently to conduct the important business of this office.

Mr. Chairman, this concludes my testimony. I would be pleased to answer any questions that you or other committee members might have.