

**April 6, 2001**

Council of the District of Columbia

PUBLIC HEARING ON THE MAYOR'S FISCAL YEAR 2002 BUDGET SUPPORT ACT OF 2001

## **Testimony of Anthony Pompa, Deputy Chief Financial Officer for Financial Operations and Systems, before the Committee on Finance and Revenue**

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).

It is worth repeating that our major goal for FY 2000 was obtaining an unqualified opinion on the Comprehensive Annual Financial Report (CAFR), issued on time and with a balanced budget. With so much at stake, the achievement of this goal was widely heralded. The goal of issuing a CAFR on time with an unqualified opinion will be equally important to OFOS for FY 2001 and beyond. We plan to make it a routine occurrence rather than the all-consuming exercise it has become the past two years.

As we move forward during the remainder of FY 2001 and into FY 2002, OFOS will continue to: (1) realign and revise accounting operations to provide better support to agencies; (2) train District financial personnel in the use of the System of Accounting and Reporting (SOAR), not only at the basic entry level, but at the intermediate and advance levels; (3) revise our policies and procedures as required for more efficient operations; and (4) address deficiencies identified during the FY 2000 audit.

Throughout the latter part of FY 2000, during the just completed year-end closing and through the first five months of FY 2001, we have proven that the SOAR system, through which all financial transactions are recorded and reported, works effectively. The system's efficiency has allowed us to begin closing our books monthly. Consequently, closing at the end of this fiscal year will be smoother and less cumbersome than in the past. However, this is not to say that there will not be issues requiring resolution and that we will be operating on cruise control. A lot of hard work will still be required from all involved.

In the FY 2002 budget, OFOS has been allocated \$8.5 million in local funds, supporting 104 FTEs; \$2.0 million in other funds, supporting 44 FTEs; and \$344 thousand intra-District funds, supporting seven FTEs. The proposed FY 2002 budget of \$10.8 million supports 155 FTEs throughout three major departments of OFOS: the Controllers office; the Office of Pay and Retirement Services; and the Enterprise Office. These three major departments serve as the core of the District's central accounting operations, and it is this team, along with the support of the other OCFO cluster organizations and District agencies, that produces the CAFR. Now let me bring you up-to-date on what we are doing and where we are headed.

First, I will speak about the Controller's office, effectively managed by Bert Molina, associate controller for Financial Operations. As I stated in a previous testimony, we have hired a deputy director for accounting operations in order to enhance the efficiency of this central accounting office. This has given this division the requisite expertise and an additional asset to review accounting transactions and make the critical analysis required prior to placing general ledger transactions into the system. This provides another stake in the ground for quality control purposes.

We will continue to perform effective monthly closes. With the improvement of processes and an ever-increasing working knowledge of SOAR, these closes should be performed in a more expeditious manner. Effective monthly closes further improve and facilitate the year-end close. In addition, we continue to move forward in the automation of the cumbersome cash reconciliation process. We are currently bringing software online that will provide an automated process of matching transactions and allow more time for problem/issue resolution. The full implementation of this software will occur on or about July 1, 2001. In conjunction with the implementation of the new system, new processes will

become effective along with a new staffing pattern that will allow the District to forego the need for contractors' assistance in this function.

The area of financial reporting is an area in which we will be making significant changes in FY 2002. The FY 2002 CAFR will be the first report issued implementing the "new reporting model" as established by the Governmental Accounting Standards Board Statement No. 34. This new model seeks to improve operational accountability by highlighting the "big picture" that was sometimes lost in the detail of fund accounting. Some key specific changes in this regard are: the introduction of government-wide financial statements; expanded focus for governmental activities; presentation of cost data; and a narrative overview and analysis.

In addition to this most noticeable change, we will be issuing on a monthly basis a battery of financial reports that will be available in a timely manner and designed to help decision makers. The financial reporting division will be enhanced so that new responsibilities regarding charter schools will be assumed. The division will be structured so that such actions as sending a "SWAT" team of accounting experts to troubled agencies can be accomplished.

One of the major initiatives of the OCFO is for the District to acquire a citywide, comprehensive working knowledge of SOAR. A strategic plan to achieve this goal has been developed and has already been put in motion. A new position has been established, that of accounting systems manager. Accounting systems managers are being hired based on their knowledge and experience on a wide variety of mainframe financial accounting systems and accounting/business processes.

The Controllers Office and the Enterprise Office have collaborated on a comprehensive training strategy and, along with the consultant, are developing a curriculum. Upon the completion of basic SOAR training, the accounting systems managers will be placed at major agencies throughout the District. All will report to a director on my staff. These individuals will assist the agency chief financial officers (CFOs) and directors by concentrating their efforts in the recording of agencies' financial transactions following Generally Accepted Accounting Principles and local laws and regulations. They will be the District's resident experts in the financial systems arena (e.g., R\*STARS, ADPICS, CAPPs, UPPs, etc.), processing update cycles, account classification, system tables and profiles, hierarchical levels, transaction codes and other aspects of functional systems administration. They will become the link between the system, accounting procedures and financial staff.

Another initiative undertaken was the refocusing of OFOS on the core accounting and reporting functions inherent in the Controllers office. The Financial and Technical Services Division, which provided support to smaller agencies, was realigned prior to the issuance of the FY 2000 CAFR, to focus on these core functions. As part of the realignment, smaller agency support was distributed to other District agencies, so the remaining FTEs could focus on financial reporting and other duties, such as providing accounting support to the District's charter schools, One Fund management, and special report publication. The enhancement of the financial reporting division will be accomplished through this realignment.

The Office of Pay and Retirement Services (OPRS), directed by Judy Banks, continues to provide excellent services to active and retired District employees, as well as annuitants of several federal agencies. OPRS supports the processing of six major payroll groups and numerous third party payments on a bi-weekly to bi-monthly basis for more than 49,000 customers. OPRS was instrumental in implementing pre-tax health benefits (the health insurance deduction before taxes) and flexible spending plans, which included a health spending plan and a dependent care plan for employees. Additionally, through OPRS, we are continuing to work with the U.S. Treasury to provide support to annuitants and to enhance the current retirement pay system.

To effectively manage the full implementation of the financial and payroll systems, I found it necessary to create an Enterprise Office in FY 2000. Joe Sanchez heads this office. The Enterprise Office's mission is to apply consistent project management methodologies across all OFOS projects – specifically, SOAR and CAPPs. This office provides the automated system support for the current payroll systems. In conjunction with OPRS, this office is coordinating the return of specific agencies from CAPPs to the

UPPS legacy system, as well as identifying those agencies that would be best served through another pay system, such as DC Public Schools. This office will continue the full implementation and enhancements of SOAR and its modules. This office is responsible for all SOAR training. In conjunction with the Office of the Chief Technology Officer, all interfaces into SOAR will either be integrated into the system or more fully developed and improved.

Within the current budget and continuing into FY 2002, this office 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 to achieve timely data entry into SOAR throughout the year; produce reports that meet the needs of District managers; collect and record reimbursements as they occur; train on SOAR at the basic, intermediate, and advanced levels; and fine tune the CAFR model to readily capture financial information. The review of policies and procedures and the automation of manual processes will continue as we strive to meet an even higher level of efficiency.

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