

**PUBLIC OVERSIGHT HEARING**  
**FY 2002 AND 2003 SPENDING AND PERFORMANCE 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 26, 2003, 9:30 a.m.**  
**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 FY 2002 and 2003 performance of OFOS.

### **FY 2002 CAFR — On Time and Unqualified**

During the oversight hearings last year, I stated that our objective is to make financial reporting a routine occurrence, rather than the all-consuming exercise that it had become in the past. This year that goal was achieved again with the early publication of the FY 2002 Comprehensive Annual Financial Report (CAFR) with an unqualified audit opinion. The timely issuance of a reliable and accurate CAFR is something that hardly warrants any special recognition. However, it should be noted that FY 2002 was the first year that the CAFR was prepared using the new Governmental Accounting Standards Board (GASB) reporting model. While most state and local governments are required to issue their reports six months after the end of their fiscal year, according to the Government Finance Officers Association (GFOA), approximately 50 percent of state and local governments nationwide requested an extension of time to issue their reports. The District issued its CAFR within its four month reporting deadline, a noteworthy accomplishment.

### **FY 2002 Accomplishments**

As I discussed last year, throughout FY 2002, OFOS strived to: (1) improve accounting operations to provide better support to agencies; (2) train District finance personnel in the use of the System of Accounting and Reporting (SOAR), not only at the basic entry level, but at the intermediate and advanced levels;

(3) revise our policies and procedures, as required, for more efficient operations; and (4) address deficiencies identified during the FY 2001 audit. While we accomplished these objectives during FY 2002, we continue to seek improvements in these specific areas and in all aspects of financial operations in FY 2003. For example, in FY 2001, the CAFR auditors identified nine instances of material weaknesses and reportable conditions. That number was decreased to five for the FY 2002 audit.

The monthly closing of the books continues to drive agencies to focus on daily accounting operations. The interim closings for March and June 2002, in conjunction with the monthly closings, prompted the agencies to record accounting events timely and accurately, which positively impacted the year-end closing. As a result, there were no major impediments during the FY 2002 closing. The Accounting Systems Manager (ASM) program continues to be a wise District investment. ASMs are assigned to major agencies and are on-site at those agencies to provide specific accounting and system expertise. This enhances OFOS' ability to assist agencies in the resolution of financial issues both expeditiously and permanently. Information sharing and the expansion of knowledge regarding SOAR and other automated systems directly contribute to our ability to routinize the CAFR process. This is supported by the fact that year-end closing assistance was limited in scope and was only required by the D.C. Public Schools and the University of the District of Columbia. In prior years, the majority of District agencies required some level of closing assistance.

Another factor contributing to the successful FY 2002 close was the OCFO's reorganization, which aligned financial management oversight and agency support relationships with the deputy mayors. The creation of the five new positions of

Associate Chief Financial Officer (ACFO), and the seasoned financial professionals placed in those positions, aided OFOS in achieving an even more efficient and coordinated closing process.

The cash reconciliation for FY 2002 was just as important as in past years. Streamlined procedures and automated processes enabled the cash reconciliation to remain current, without the use of contractor support. Thus, cash reconciliation was not a “show stopper” as it was in prior years. We also remain current with FY 2003 reconciliations.

In FY 2002 we implemented a major module in SOAR, the fixed asset module. A physical count of fixed assets, or personal property, was accomplished by District agencies along with a subsequent reconciliation of the physical count with assets recorded on the books. The reconciled assets and corresponding amounts loaded into the fixed asset module enabled agencies to begin full utilization of SOAR for fixed assets control.

The Office of Pay and Retirement Services (OPRS) continued to provide excellent services to active and retired District employees, as well as annuitants of several federal agencies. During FY 2002, the District’s payroll and retirement staff ably assisted the Office of the Chief Information Officer of the OCFO in migrating all District employees back to the legacy payroll system, UPPS.

Paying all District employees on time is another function, like the timely CAFR issuance, which hardly deserves any special recognition. But when one considers 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.

Shortly after the beginning of FY 2002, OPRS, in conjunction with the OCIO and D.C. Office of Personnel, was called upon to update payroll Components I and II to new salary levels and input retroactive payments to employees in these payroll components. This important task, performed with professionalism, dedication and within a very tight timeline, was accomplished in an excellent manner.

### **FY 2003 Developments and Goals**

Throughout FY 2003, we continue to seek improvements in overall operations. The monthly closings continue and interim closings are planned for the end of March and June 2003. We are continually improving and automating the interim closing each time it is conducted. Additionally, since we have gained experience with interim closings and are identifying specific areas for improvements, we are tailoring the interim closings to specific agencies. For example, an agency may be proficient in recording payables but not as proficient in recording intra-districts (transfers between agencies as payment for goods or services). In this case we would want that agency to concentrate on its intra-district process.

The ASMs continue to provide and apply their expertise at the agency level, as well as at the central financial offices. This year they will continue training agency personnel both on-site and in the classroom during formal training sessions.

The area of financial reporting has undergone significant changes in this fiscal year. As I previously stated, the FY 2002 CAFR was the first report issued under

the “new reporting model” as established by the GASB Statement No. 34. This new model improved 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: introduction of government-wide financial statements, expanded focus for governmental activities; presentation of cost data; and a Management Discussion and Analysis section. This is the model that will continue to be used for FY 2003 and beyond.

OFOS continues to shoulder the responsibility for functional SOAR training, as well as SOAR help desk operations, under the director of the Accounting System Managers. 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.

For FY 2003, the Office of Pay and Retirement Services (OPRS) continues to serve all 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 over 49,000 customers.

Because of the complex and cumbersome approach the District takes toward compensation and classification of its employees, it has been forced to continue to use UPPS as its payroll “engine”. The District has undertaken an aggressive initiative to simplify this approach through its Administrative Systems Modernization Program (ASMP). OPRS has been instrumental in this effort by identifying 750 definition requirements for a new payroll system to replace UPPS. A close collaboration with the Office of the Chief Technology Officer, the Office

of Personnel, the Office of Labor Relations, and the City Administrator has produced an action plan, which, when fully executed, will result in the elimination of many of our complex pay issues and enable the District to acquire a payroll system that will reduce and/or eliminate much of the manually intensive, paper driven processes that at times tend to be problematic.

Additionally, through OPRS, work continues with the U.S. Treasury to provide support to annuitants and to enhance the current retirement pay system. OPRS, in conjunction with the Treasury, completed all required functions for the Treasury's new automated System to Administer Retirements (STAR) in order to transfer the payroll processing for retired Superior Court and Court of Appeals Justices to Treasury's Bureau of Public Debt. Additionally, Phase I of the STAR was implemented – a \$40 million project to calculate the benefits split for D.C. police, firefighters, and teachers as outlined in the 1997 D.C. Revitalization Act enacted by Congress. Throughout FY 2003, this important work and cooperation with the Treasury is continuing.

Within its current budget, 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 timely 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 fine-tuning of the CAFR model to capture more financial information. The review of policies and procedures and the automation of manual processes continue as we strive to meet an even higher level of efficiency. Finally, we will continue to pay employees and annuitants timely and accurately.

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

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