

**PUBLIC OVERSIGHT HEARING ON  
THE FISCAL YEAR 2004 AND 2005 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**

**March 9, 2005, 10:00 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 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 2004 and 2005 performance of OFOS.

### **FY 2004 CAFR — On Time and Unqualified**

For the eighth 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 a routine event.

### **FY 2004 Accomplishments**

The Office of Financial Operations and Systems (OFOS) began Fiscal Year 2004 (FY 04) 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. This enabled the 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 therein and meet the deadlines required by OFOS.

This office provided quality and professional financial management assistance to agencies throughout the District. The Accounting System Managers (ASM)

program continued to provide invaluable assistance to agencies with the monthly, interim and year-end closing, and general training/advice on the recording of business events in SOAR. This is supported by the fact that year-end closing assistance was limited in scope and was only required by the University of the District of Columbia (UDC). Additionally, ASMs served as members of “SWAT” teams providing on-site support for specific agencies, for example: assistance to D.C. Public Schools (DCPS) for payroll conversion; assistance to Mental Health Services with Medicaid; assistance to the University of the District of Columbia (UDC) with intra-district processing, and review of a proposed automated accounting system that meets higher education reporting requirements; and designed special reporting templates/programs for the Office of Budget and Planning (OBP) and Office of Finance and Resource Management (OFRM), to meet the specific requests by the Council of the District of Columbia.

OFOS provided the appropriated fund processing/payments to the thirty-seven Public Charter Schools throughout FY04. Working with the State Education Office (SEO), DCPS, the two chartering authorities, OBP and OFT, OFOS transferred about \$150 million to individual schools, on time, as required by law. Additionally, \$259 thousand was recouped from charter schools and returned to the District’s Treasury as a result of enrollment adjustments.

It is important to note that the responsibility and the duty to ensure that the data submitted by, and financial activities of all the District Agencies are competently summarized and presented in accordance with the pronouncements of the Governmental Accounting Standard Board (GASB), which rests solely with the Financial Control & Reporting Division (FRCD) 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 take over and engage in intensive examination of reports, analysis of data, preparation of reclassification and other correcting entries, and interact 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. 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.

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 FY04, 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 [PeopleSoft] system. This workload was accomplished simultaneously as payroll records were merged to finalize year-end closing activities for the generation of employee W-2 statements.

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. In FY 04, OPRS issued 38,600 W-2 Wage and Earnings Statements, made over 7,000 third party payments (i.e., child support, garnishments, union dues, health benefits deductions), and processed over 16,000 supplemental payments. In conjunction with OCTO and the Administrative Services Modernization Program (ASMP), the PeopleSoft payroll module was selected as the new payroll system. This system is scheduled to go live in late 2006.

In 2004, in partnership with the US Treasury, OPRS continued to implement all facets of the new PeopleSoft pension module “STAR”, which 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. Another group of annuitants have payments with a split liability between US Treasury and the District; there are approximately 2,500 of these annuitants at this time.

The OPRS processed monthly annuity checks and issued over 7,000 IRS Form 1099-Rs to retired District police officers, firefighters, teachers, judges and federal government law enforcement officers (White House police, US Secret Service agents, and US Park Police). The functions of this office will transition over to the DC Retirement Board in October of this year to provide the city – for the first time – with a comprehensive benefits administration pension system similar to other states and territories. OPRS relinquishes the full customer services benefits

administration and annuity check generation processes to the Board of Trustees of the DC Retirement Board. One entity in the DC Government will manage all non-civil service pension matters. OPRS retains, by virtue of federal statute, the full benefits administration and customer services responsibility for the federal government 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. For FY 04, the Office of Pay and Retirement Services (OPRS) continued to service the payroll needs of all District employees, as well as annuitants of several federal agencies. OPRS supported the processing of six major payroll groups and numerous third party payments on a bi-weekly and semi-monthly basis.

### **FY 2005 Developments and Goals**

Throughout FY 05, 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 2005. 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 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. This includes all training for PASS, the new procurement system under the ASMP initiative. Additionally, the ASMs continue to play a major role in the training of the new budget system, ARGUS, which was initiated by the Office of Budget and Planning (OBP). This system went live at the beginning of August and is currently being retooled. 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 in late FY 05. Additionally, ASMs have assumed the lead in training staff, city-wide, on the “CFO Source” management reporting tool, which was initiated by the OBP.

OFOS continues to shoulder the responsibility for functional SOAR training, as well as SOAR help desk operations, and security for all financial systems applications under the Director of the Accounting System Managers group. 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, but they also address and resolve PASS related processing, help desk, concerns as well. This year the ASMs will also play a major role in assisting DCPS with their year-end close procedures while the agency will be undergoing it’s own internal restructuring process. The agency like all other agencies, city-wide, ended the fiscal year with a surplus.

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 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 FCRD will continue to review and update the District’s financial policies and procedures and the 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 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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