

**PUBLIC OVERSIGHT HEARING ON  
THE FISCAL YEAR 2005 AND 2006 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 27, 2006, 2:00 p.m.  
John A. Wilson Building  
Council Chambers**



**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, and I am the Deputy Chief Financial Officer and Treasurer in 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 2005 and FY 2006 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, safe-keeping, investing, disbursing, recording, and/or acquiring District financial resources. OFT diligently carried out its mission during FY 2005 and FY 2006 year-to-date, with very positive results. I would like to highlight some of the accomplishments of the Office of Finance and Treasury.

### **Debt Management**

In FY 2005 and FY 2006 year-to-date, the District continued to see improvement in its general obligation bond ratings. In November 2004, Standard & Poor's raised the District's general obligation bond rating from A- to A, with a positive outlook, suggesting there may be further upgrades within the next three years. In June 2005, Fitch Ratings also upgraded the District's bonds from A- to A. In November 2005, Moody's Investors Service changed the outlook on their A2 rating from "stable" to "positive." And in the same month, Standard & Poor's again raised their rating, this time from A to A+, the highest ever for the District. These positive rating changes allow the District to issue its notes and bonds at lower interest rates, resulting in significant ongoing debt service savings.

According to Standard & Poor's, the District's improving credit standing is based on a continuation of its conservative financial management and operations, coupled with significant tax base growth and investment, and the expectation that the District will continue to operate within its statutory financial policies, which have led to strong financial operations and financial results.

OFT issues general obligation (G.O.) bonds, notes and other securities in the public 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 FY 2005, OFT oversaw the issuance of \$387 million in fixed-rate, hedged variable-rate, and unhedged variable-rate G.O. bonds at a weighted average interest rate of 4.2%. In addition, we issued \$250 million in Tax Revenue Anticipation Notes ("TRANs") at a rate of 2.1% to provide for seasonal cash flow needs. The TRANs were repaid on schedule in September 2005. In FY 2006, OFT refinanced outstanding G.O. bonds to take advantage of lower interest rates, saving more than \$4 million in today's dollars. OFT also brought \$331 million in new money G.O. bonds to market at a weighted average interest rate of 4.6%, and \$250 million of TRANs at a 3.3% rate.

### **Banking**

In FY 2005, OFT successfully continued its efforts to minimize the number of District government bank accounts; increase District employee enrollment in payroll direct deposit and institute the payroll card program; explore opportunities to deposit funds in local financial institutions, promoting community development programs in low- to moderate-income areas; and upgrade its technological capabilities and electronic payment processing.

## **Grants**

OFT manages the cash and accounting aspects of agencies' federal grant drawdowns. We have continued to enhance the process for daily monitoring of agency grant receipts. In so doing, we increased the collection of grant monies by \$107.8 million in FY 2005 and met all associated reporting requirements.

## **Cash Management**

During FY 2005, OFT continued its cash management outreach program to District government agencies to communicate the importance of strategically managing cash, and to clarify agencies' role in the management of the District's cash. These efforts resulted in a 21% decrease in expedited check payment requests, and enhanced daily cash flow. Conversely, OFT continued to be very responsive and effective in addressing unanticipated circumstances that required quick action to execute important payments, while ensuring that all proper approvals, documentation and internal controls were adhered to.

## **Electronic Benefits Transfer ("EBT") Program**

In FY 2005, OFT converted an additional 20 percent (for a total of 65 percent) of its Medicaid payments to Medical Assistance vendors from checks to electronic ACH transactions. In FY 2005, the District received \$563 million from the federal government in same-day reimbursement for payments to the vendors. It previously took seven business days for the District to be reimbursed. The accelerated reimbursement generated approximately \$67,000 in additional interest income.

## **Accounting**

OFT provides revenue collection, accounting, and recordation services to District agencies, which facilitates agencies and central finance personnel having accurate

and timely revenue information. In FY 2005, we reduced the time between the deposit of daily collections into the custodial bank account and their subsequent posting to the District's System of Accounting and Reporting (SOAR) to an average of four days. OFT recently completed the procurement of a point-of-sale cashiering system that will connect all revenue collection sites to SOAR and further reduce posting time to two days.

Earlier this fiscal year, we upgraded our check printing equipment to obtain improved printing controls. The new printers are able to track and record each check printed by reading the MICR line at the bottom of the check. This information will be used to monitor and audit check production.

### **College Savings Plan**

In FY 2005, OFT developed and launched a campaign to market the D.C. College Savings Plan across the District. This contributed to an increase in Plan assets of 65% in FY 2005, to \$51.5 million, among the fastest growth of any state 529 plan. Plan assets have since grown to \$63.7 million. The Plan obtained high marks from college savings plan rating agencies. Money Management Executive magazine awarded it five out of five stars, and SavingforCollege.com rates it at four and a half out of five “caps”.

### **401(a) Retirement Plan**

In FY 2005, OFT oversaw the competitive selection of a new service provider for the District's 401(a) Plan and directed the transition of participant assets and accounts, which occurred with no time out-of-market and to-the-penny account reconciliations. Participants in the Plan now number 18,199 and total assets are a record \$300.5 million.

## **Unclaimed Property Program**

In FY 2005, the Unclaimed Property program conducted its first five online auctions of 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, to \$10.6 million in FY 2005. We project that enhanced compliance efforts will yield a 10% increase in unclaimed property collections in FY 2006, allowing us to return even more unclaimed property to District residents.

## **Continuity of Operations Plan**

OFT recently updated its Continuity of Operations Plan, which details operating policies and procedures to be followed in the event of a man-made or natural emergency. A key element of the plan has been the relocation of the District's backup check printing to a secure remote location.

At this time, I would like to thank my senior management team, who made these accomplishments possible:

- Denis Clarke, Senior Financial Analyst
- Jeanne Hoover, Debt Manager
- Ulysses Glen, Chief of Staff
- Tyrone Jones, Banking Services Officer
- Dawn Keene, Manager, Vendor Information Center

- Elliott Kindred, Unclaimed Property Manager
- Brenda Mathis, Program Director, College Savings and Retirement Plans
- George Rivera, Acting Associate Treasurer
- Craig Small, Associate Treasurer
- Gloria Vines, Cash and Investments Manager
- Shilonda Wiggins, Grants and Financial Reporting Manager
- Ed Williams, EBT Program Manager

Mr. Chairman, this concludes my testimony. I would be happy to answer any questions from you or the other committee members.