

**PUBLIC OVERSIGHT HEARING ON
THE FISCAL YEAR 2005 AND 2006 SPENDING AND
PERFORMANCE BY THE DISTRICT OF COLUMBIA
PUBLIC SCHOOLS**

**Before the
Committee on Education, Libraries, and Recreation
Council of the District of Columbia**

The Honorable Kathy Patterson, Chairman

**March 2, 2006, 10:00 a.m.
John A. Wilson Building
Council Chambers**



**Testimony of
John D. Musso, Registered School Business Administrator
Chief Financial Officer
District of Columbia Public Schools**

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

Good afternoon, Chairman Patterson and members of the committee. My name is John Musso, and I am the Chief Financial Officer (CFO) for the District of Columbia Public Schools (DCPS). I would like to thank you and the members of the committee for the opportunity to appear before you today to highlight the accomplishments of the Office of the Chief Financial Officer (OCFO) at DCPS during FY 2005 and to-date in FY 2006.

The DCPS OCFO's office is committed to delivering the highest quality of service necessary to ensure the financial stability of the school system and the District. It is essential that the OCFO at DCPS runs efficiently and effectively in order to provide the highest level of fiscal accountability. Understanding this, we have implemented processes and procedures to accomplish this goal. When I assumed the responsibilities of the CFO two and a half years ago, my primary goal was to provide accurate fiscal and budgetary information for school officials, as well as other program and agencies heads. During this time, the DCPS OCFO has made major strides in stabilizing the department and accomplishing overall effective and efficient operations of the department.

The mission of the DCPS OCFO is to protect the assets and resources of DCPS. To this end, all DCPS OCFO employees are required to demonstrate and model the highest fiscal, moral, and ethical behavior, as well as demonstrate the high level of performance that is necessary to make and implement effective policy, management, and program decisions. We have established specific goals, such as providing a high level of customer focus and service orientation, leveraging technology to promote greater accuracy and timely reports, and committing to

support the instructional process so that DCPS can meet the needs and differences of every child.

During the fourth quarter of fiscal year 2005, the DCPS OCFO staff re-committed to a strategic plan that established our guiding principles and goals. Our guiding principals – *excellence, financial management accountability and integrity, and customer focus* – serve as the basis for our goals, which, for simplicity sake, my staff summarized as “John’s Vision”:

1. Providing the best customer service possible,
2. Ending the year with a balanced budget,
3. Providing service with ethics and integrity, and
4. Providing accurate information.

Our first goal was accomplished, as evidenced by the following successes:

1. In compliance with the Quick Payment Act, DCPS OCFO paid 98% of vendors within 30 days. The remaining 2% outside the 30-day timeline was attributable to a lack of the requisite supporting documentation presented to justify payment.
2. DCPS OCFO successfully calculated and paid more than \$22 million in employee retroactive payments.
3. DCPS OCFO continues to foster and maintain a high level working relationship with all D.C. agencies.

The second objective of a balanced budget is recognized by the following:

1. DCPS OCFO successfully ended FY 2005 with a balanced budget and a surplus of \$12,000.

2. DCPS OCFO collected more than \$3 million in employee salary overpayments from prior years.

Our third objective is evidenced by:

1. The development of our new internal control mechanisms. DCPS OCFO identified and reported several abuse and fraud related activities to appropriate parties that are currently under investigation.
2. Implementation of 10 policies and procedures to strengthen the internal control mechanisms throughout the school system:
 - a. Central Investment Fund (CIF) policy
 - b. Student Activity Fund (SAF) policy
 - c. Petty cash funds
 - d. Impress funds
 - e. Invoice tracking
 - f. Review and approval of journal entries
 - g. Travel
 - h. Overtime approval
 - i. Direct vouchers
 - j. Accounting, data gathering and reporting

In furtherance of our fourth goal, we:

1. Reduced the annual audit findings from 13 OCFO findings to three. The external audit management report contains only six audit findings for the entire school system, down from 26 in FY 2004.
2. Successfully completed and submitted all closing packages on time.
3. Had zero audit findings for the accounts payable and payroll division in FY 2005.

4. Maintained a high level of budget and fiscal transparency through various budget reports and information made available on the DCPS OCFO website.

Several other accomplishments have had overarching effects on the system:

1. The accounts payable division specifically dedicated to Special Education payments has complied with court-ordered timelines. Through this diligence, discussions have begun that would allow DCPS to be removed from oversight by outside counsel.
2. DCPS OCFO has been able to identify non-public tuition pressures in advance, so such pressures could be rectified.
3. DCPS OCFO has begun capturing the true cost of non-public tuition by accurately tracking payments.
4. We have had a year-end balanced budget for FY 2003, 2004, and 2005. For all of those years, OCFO-suggested gap-closing strategies were successful. For FY 2006, the superintendent and I are currently assessing potential spending pressures and developing gap-closing strategies, as well as fine-tuning our budget challenges. We will be reviewing those challenges and strategies as well as fine-tuning our budget challenges with the Board of Education in the very near future. Once advanced to the board, we will also be sharing that information with this committee. The Superintendent and CFO are committed to a balanced budget at the end of this fiscal year.

As the CFO at DCPS, I look forward to continued work with the Council and agencies of the District government. I am pleased to answer any questions you or other members of the committee may have.