

**PUBLIC OVERSIGHT HEARING  
ON THE FY 2021 AND FY 2022  
SPENDING AND PERFORMANCE  
OF THE OFFICE OF  
THE CHIEF FINANCIAL OFFICER (OCFO)**

**Before the  
Committee on Business & Economic Development  
Council of the District of Columbia**

**The Honorable Kenyan R. McDuffie, Chairman**

**March 3, 2022, 9:00 a.m.  
Virtual Platform**



**Testimony of  
Fitzroy Lee  
Acting Chief Financial Officer  
Government of the District of Columbia**

Good morning, Chairman McDuffie and Members of the Committee on Business and Economic Development. I am Fitzroy Lee, Acting Chief Financial Officer of the District of Columbia. I am very pleased to appear before you today to testify on the FY2021 performance of the Office of the Chief Financial Officer and outline my plans for the agency in FY 2022 and beyond. I am joined by Angell Jacobs, Deputy CFO (DCFO) and Chief of Staff, Carmen Pigler, DCFO and Treasurer, Keith Richardson, DCFO and Tax Commissioner, David Tseng, General Counsel, Paul Lundquist, Executive Director of Management and Administration as well as other members of the executive team who will assist in answering any questions that the Committee may have.

The OCFO has worked closely with both the Mayor and Council to ensure that the District has the necessary financial resources to address current needs and to remain financially strong and resilient. We have also continued to advance our goal of being a best-in-class financial organization. During my presentation today, I will highlight several of our most important initiatives and provide an update of our accomplishments.

I want to begin by thanking the employees of the OCFO for their hard work, dedication, and commitment to public service over the past year. Without them,

none of these accomplishments would be possible. They play an integral role not only in the success of our agency, but in moving the District forward.



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# OCFO Performance Oversight Hearing FY 2021 and FY 2022

March 3, 2022

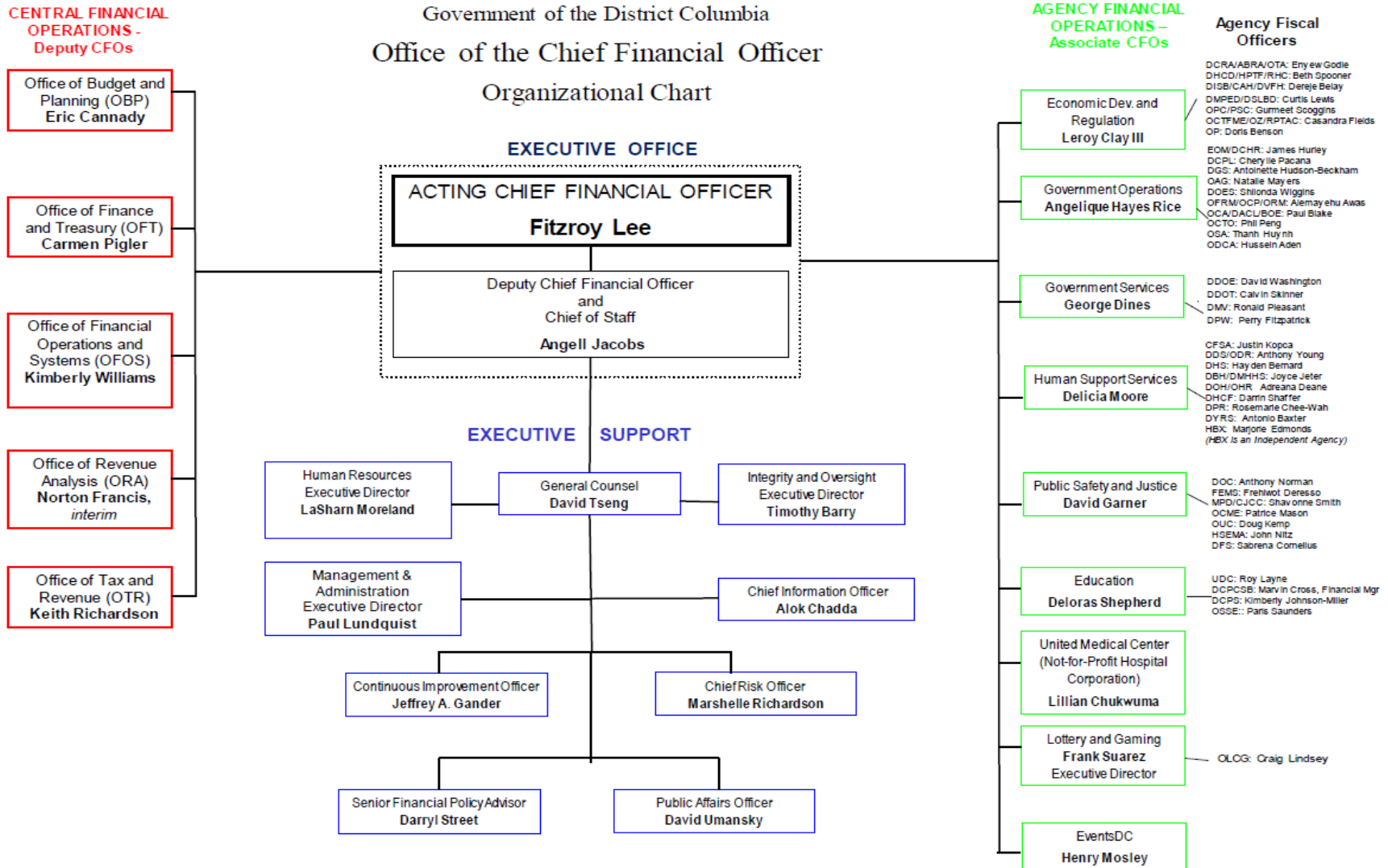


## Presentation Overview

- OCFO Overview
- OCFO Purpose, Values, and Core Functions
- Key Performance Metrics for OCFO in FY 2021
- OCFO Strategic Plan
- Strategic Plan Highlights/Agency Accomplishments
- Ongoing and New Initiatives in FY 2022



# Overview of the Office of the Chief Financial Officer



## Why The OCFO Exists

“To ensure that the District of Columbia, the capital city of the United States, remains financially strong and sustainable to the benefit of all who live, work, visit, and do business here.”

- OCFO Value Statement

*“Each day, I will strive to provide the highest standard of service to the residents, businesses, visitors, and the government of the District of Columbia by being:*

*S - Service Driven with a Strong Work Ethic*

*M - Motivated and Mission Focused*

*A - Accountable*

*R - Respectful of My Customers and Co-workers*

*T - Trustworthy and Team-Focused*

*E - Empowered to Achieve Excellence*

*R - Results Oriented*





## OCFO Core Functions

The Independent Office of the Chief Financial Officer:

- Certifies budgets are balanced and financial statements are fairly represented
- Provides independent revenue estimates
- Monitors revenues and spending
- Evaluates fiscal impacts of all legislation
- Reviews all economic development projects
- Issues all debt, manages all investments, and oversees credit ratings
- Oversees tax collections and lottery
- Manages financial personnel and activities (budget, accounting and payroll functions) in all agencies and component units





## OCFO Annual Agency Outputs

▪ Tax Returns Processed	1,092,583
▪ Tax Refunds Processed	314,846
▪ Taxpayer Calls Answered	439,442
▪ Written Correspondence Answered	82,274
▪ Deeds Recorded	18,486
▪ Properties Assessed (Commercial and Residential)	205,502
▪ Property Assessment Appeals-1st Level	13,666
▪ Delinquent Payments Collected	\$238,031,982



## OCFO Annual Agency Outputs (Cont.)

▪ Wires and ACH Processed	6,274,011
▪ Gross CCU Debt Collected (FY 2021)	\$34,796,942
▪ Total Debt Managed (FY 2021)	\$11,384,623
▪ Fiduciary Programs Managed (FY 2021)	\$5,834,562,199
○ OPEB Fund= \$2,025,061,908	
○ 401(a)= 1,484,609,014	
○ 457(b)= \$1,245,772,804	
○ 529 College Savings= =\$1,018,821,198	
○ UDC Endowment= \$58,321,770	
○ DC Library Trust===\$1,975,505	
▪ Payroll Payments Issued (FY 2021) (Regular Employees Only)	961,501***
▪ Bank Reconciliations	5,300
▪ W-2s Issued (CY 2021)	43,607**
▪ 1099s Issued (1099 MISCs, 1099 NECs, and 1099Rs** only) (CY 2021)	8,083
▪ Approximately 150 fiscal impact studies issued per year in addition to numerous other studies, reports, and analyses	

\* Unaudited

\*\*Reference – TAX915

\*\*\* This number represents the total of checks/ACHs employees received from the District for the calendar year. The number is extracted from the support for the Form 941 which is populated using the U.S. Summary Report generated by PeopleSoft after each payroll processing is completed. Does not include checks generated during the year-end off-cycle payroll runs.



## Strategic Objectives

### 7 Strategic Objectives:

1. Improve Customer Service
2. Create a Culture of Continuous Improvement
3. Improve Transparency and Quality of Information
4. Effectively Manage Risk and Prevent Fraud
5. Implement Quality Financial Systems
6. Develop, Attract, and Retain High Quality Employees
7. Manage a Fair and Equitable System to Fully Collect District Revenues

# Office of the Chief Financial Officer Strategic Plan

**MISSION**

To preserve and enhance the overall financial stability of the District by: 1. Protecting and enhancing the District's revenue stream; 2. Reliably estimating revenues; 3. Exercising budget oversight; 4. Preparing auditable financial statements; 5. Managing debt and bond ratings

**CORE OBJECTIVES**

Balanced Budgets

Clean Audits

Access to Quality  
Credit Markets

**STRATEGIC OBJECTIVES**

Improve Customer Service  
  
1

Create a Culture of Continuous Improvement  
  
2

Improve Transparency and Quality of Information  
  
3

Effectively Manage Risk to Prevent Fraud and Losses  
  
4

Implement Quality Financial Systems  
  
5

Develop, Attract and Retain Highly Qualified Employees  
  
6

Manage a Fair and Equitable System to Fully Collect District Revenues  
  
7

**STRATEGIC INITIATIVES**  
(see attached work plans)

- 1 Continue implementation of a Modernized Integrated Tax System (MITS) to replace the current tax system (1,2,3,4,5,7)
- 2 Implement Telephony System 2.0 and integrate Telephony System with a Customer Relations Management System (CRM) for all areas of the OCFO (1,3)
- 3 Implement an enterprise-focused debt and revenue collection solution for management and collection of taxes, fees, and debts owed to the District (1,2,3,7)
- 4 Enhance current practices to strengthen internal controls and ensure compliance with applicable accounting, auditing, and legal standards (2,3,4)
- 5 Improve District-wide payment process to ensure more efficient and timely payments by all agencies (1,2,3,5)

- 6 Continue to enhance the long-range (15-year) capital financial plan for the District and EventsDC, and develop a long-range capital financial plan for DCHA (2,3)
- 7 Implement a new enterprise-wide accounting and financial reporting system and enhance the availability of information to the public (1,2,3,4,5,7)
- 8 Implement a culture of continuous improvement based on employee-driven process improvement teams (1, 2, 3, 4, 5, 6, 7)
- 9 Continue to implement DC Lottery "best practices" findings from 2016 study, where applicable, and expand base for retail products (1,2,7)
- 10 Develop and execute a plan with hospital board and DHCF to financially stabilize UMC (1,3,4,5)

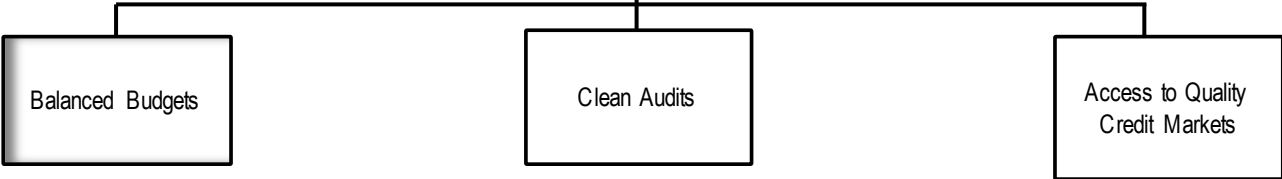
- 11 Review investment systems and strategies to maximize revenues within investment policy guidelines (2,7)
- 12 Review and implement policies, systems, and processes to ensure debt compliance with increased local and federal debt regulations (2,3,5)
- 13 Upgrade policy analysis and forecasting tools for Real Property and Sales Tax revenue stream (2,3,)
- 14 Enhance existing employee development opportunities to ensure that our human capital has the critical skills to succeed in the OCFO's SMARTER culture (2,6)
- 15 Improve internal communications OCFO and District-wide by implementing dashboards, standardized reports, portals and newsletters (1,3)

# Office of the Chief Financial Officer Strategic Plan

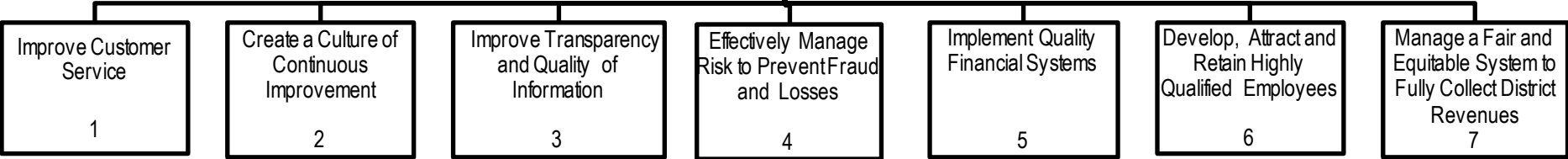
**MISSION**

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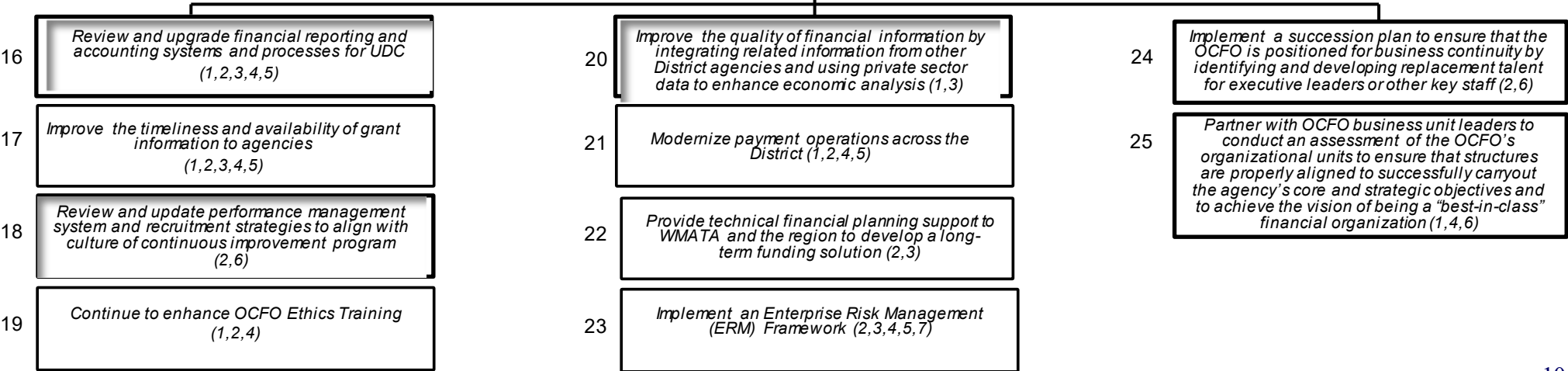
**CORE OBJECTIVES**



**STRATEGIC OBJECTIVES**



**STRATEGIC INITIATIVES**  
*(see attached work plans)*





## Strategic Plan Highlights/Agency Accomplishments

- General Obligation bond rating of Aaa by Moody's and AA+ by Fitch and Standard and Poor's; Income Tax Secured bond rating of AAA by Standard and Poor's, Aa1 by Moody's and AA+ by Fitch providing the lowest cost borrowing in District history
- 25<sup>th</sup> consecutive year of unmodified "clean" audit opinion and 7<sup>th</sup> consecutive year with no material weaknesses or significant deficiencies (No Yellow Book)
- Completed five-year cycle of tax incentive evaluations
  - Health Education Tax Expenditure Review
  - District of Columbia Housing Tax Expenditure October 2015
  - Environment, Public Safety, Transportation, and Tax Administration and Equity Provisions January 2017
  - Review of Economic Development Tax Expenditures November 2018
  - Review of Income Security and Social Policy Tax Expenditures 2021



## Strategic Plan Highlights/Agency Accomplishments (Cont.)

- Restructured outstanding debt creating aggregate total debt service savings of \$100 million in Fiscal Years 2021 and 2022.
- Issued additional long-term bonds generating \$850 million to fund new capital projects in Fiscal Year 2022 to date.
- CARSS & Long-Range Capital Financial Plan Updated
  - ✓ \$13.5 billion of total identified capital needs, \$9 billion addressed in current CIP (FY 2022-2027), with \$4.5 billion of remaining unfunded capital needs.
  - ✓ \$1.5 billion of unfunded needs has been identified as deferred maintenance that can be funded as early as FY 2031, if no new additional capital projects are added before addressing current unmet needs. Otherwise, the timeline to deal with unmet needs will likely be extended to at least 2033 or longer.



## Strategic Plan Highlights/Agency Accomplishments (Cont.)

### Robust Taxpayer Outreach and Education

- ✓ Office of the Taxpayer Advocate conducted 14 outreach events with a focus on taxpayer rights, low-income taxpayers, and small businesses, including:
  - Instagram Live:
    - Navigating MyTax.DC.gov
    - Completing the Identity Verification Process
    - Obligations Non-Filers Have to OTR
    - Overview of OTR's Billing Process
    - Options for Paying a Liability When You are Facing a Hardship
    - Tax Financial Checkup
  - The DC Earned Income Tax Credit (in conjunction with the Capital Area Asset Builders)
  - The Schedule H Low-Income Homeowner & Renter Property Tax Credit (in conjunction with DC KinCare)





## On-Going and New Initiatives in 2022

- **Continuation of Change Management effort within OTR**
  - Review of business processes to maximize new technology and tools
  - Development of best-in-class key performance indicators to drive continuous improvement
  - Review and update of policies and procedures
  - Development of staff training programs for compliance division
  - Ongoing risk assessments and testing
- **Tax System Center of Excellence (TSCOEE)**
  - Ensure that the system remains best-in-class
  - Ensure appropriate investment in staff training and learning
- **Tax Academy**
  - Will enhance and provide critical support to the TSCOEE by providing tax specific training for new hires, information on upgrades to the MITS system, and tax policy or legislative changes.



## On-Going and New Initiatives in 2022 (Cont.)

- **District Integrated Financial System (DIFS)**
  - Project to modernize/replace the current financial (SOAR) and budget systems (BFA), including a new treasury management system
    - ✓ Dedicated project team
    - ✓ Contracts with Deloitte Consulting for System Implementation and Organizational Change Management
    - ✓ Contract for IV&V services with Gartner Group
    - ✓ Phase one of the Treasury Management System complete
    - ✓ The financial and budget systems will roll-out in phases
    - ✓ Budget need is at \$205 million (*\$26M was removed from the project as part of FY 2021 approved budget. If not restored, will preclude implementation of a budget system*)
    - ✓ DIFS Phase I Go-Live: October 2022



## Benefits of a Financial System Replacement (SOAR Replacement Project)

The District has an aging legacy system with declining support resources (mainframe technicians and COBOL programmers) that is at risk of inadequate support services and cannot be upgraded to take advantage of the benefits of a modern system. DIFS will provide:

1. Improved data reliability
2. Improved controls for compliance
3. Better informed decision making
4. Less duplication of effort
5. Improved customer service/satisfaction
6. Improved productivity/efficiency
7. Reduced operating and labor costs
8. Increased integration with other systems
9. Elimination of numerous shadow databases and spreadsheets throughout the organization



## On-Going and New Initiatives in 2022 (Cont.)

### DC Housing Authority

Collaborate with DCHA to include all of their assets in CARSS and complete a financial analysis of their FY 2023-2028 capital budget request, as well as analyzing their long-term capital funding requirements to get all public housing to a state of good repair.

### Enterprise Risk Management (ERM) Initiative

Ongoing focus to assess risk

- Proactively identifies and addresses organizational risks through:
  1. Organizational risk assessment
  2. Action plans developed and resources devoted to address identified risks
  3. Ongoing monitoring and emerging risk identification
  4. Scenario analysis and contingency planning



## Ongoing and New Initiatives in 2022 (Cont.)

### Value Based Culture Initiatives

- Professional Development Program for non-managerial staff rollout the end of the fiscal year
- Development of Administrative Development Program designed to broaden and enhance skills of our administrative staff
- SMARTER Awards Program
- SMARTER Culture Survey



**QUESTIONS?**