

**PUBLIC OVERSIGHT HEARING
ON THE FY 2019 AND FY 2020
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 4, 2020, 10:00 a.m.
Room 123
John A. Wilson Building**



**Testimony of
Jeffrey S. DeWitt
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 Jeff DeWitt, Chief Financial Officer of the District of Columbia. I am very pleased to appear before you today to testify on the FY 2019 performance of the Office of the Chief Financial Officer and outline my plans for the agency in FY 2020 and beyond. I am joined by Angell Jacobs, Deputy CFO and Chief of Staff, as well as other members of the executive team who will assist in answering any questions that the Committee may have.

The OCFO's FY 2017-FY 2021 Strategic Plan outlines the objectives and initiatives that will be the focus of our efforts to advance our goal of being a best-in-class financial organization. I am pleased to report that we continue to make progress towards this goal. During my presentation today, I will highlight several of our most important initiatives and provide an update of our accomplishments.

Let me 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 the strategic plan, but in moving our agency and the District forward.



OCFO Performance Oversight Hearing FY 2019 and FY 2020

Jeffrey S. DeWitt
Chief Financial Officer
March 4, 2020

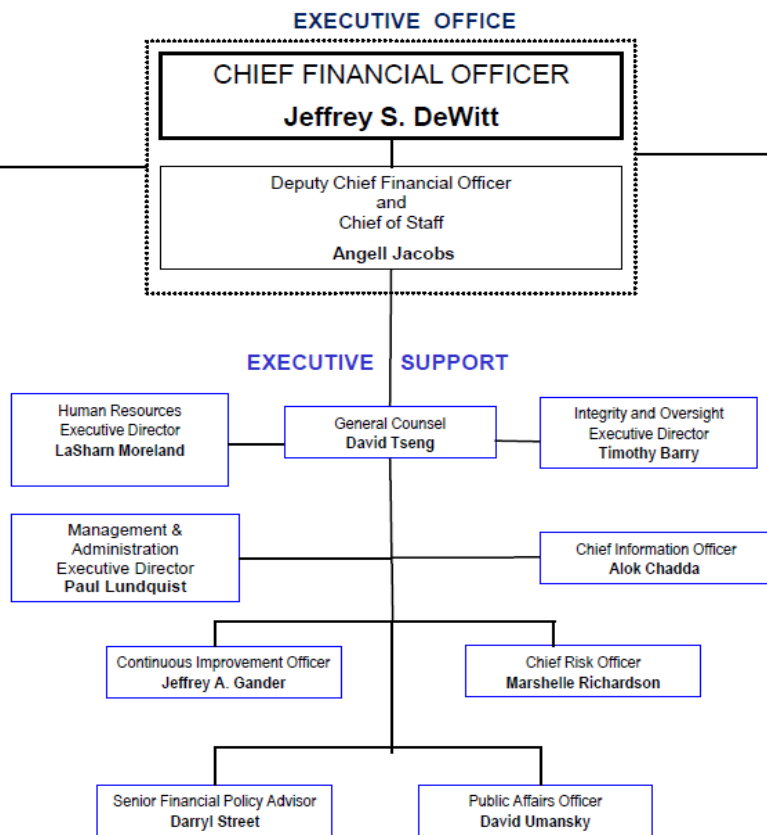


Overview of the Office of the Chief Financial Officer

CENTRAL FINANCIAL OPERATIONS - Deputy CFOs

- Office of Budget and Planning (OBP)
Gordon McDonald
- Office of Finance and Treasury (OFT)
Bruno Fernandes
- Office of Financial Operations and Systems (OFOS)
Bill Slack
- Office of Revenue Analysis (ORA)
Fitzroy Lee
- Office of Tax and Revenue (OTR)
Keith Richardson

Government of the District Columbia Office of the Chief Financial Officer Organizational Chart



AGENCY FINANCIAL OPERATIONS - Associate CFOs

- Agency Fiscal Officers**
- DCRA/ABRA/OTA: Enyew Godie
 - DHCD/HPTF: Beth Spooner
 - DISB/CAH/DV/FH: Bright Ahalwe
 - DMPED/DLSD: Curtis Lewis
 - OPC/PC: Gurneet Soogins
 - OCTFME/OZ/RTAC: Casandra Fields
 - OP: Doris Benson
 - EOM/DCHR: James Hurley
 - DCPL: Cheryl Pacana
 - DGS: Henry Wong (Interim)
 - OAG: Shionda Wiggins
 - DOES: Natalie Mayers
 - OFRM/OCP/ORM: Alemayehu Awas
 - OCA/OCA/BOE: Paul Blake
 - OCTO: Phil Peng
 - OSA: Frelwot Dereso
 - ODCA: Hussein Aden
 - DDOE: Perry Fitzpatrick
 - DDOT: Calvin Skinner
 - DMV: Ronald Pleasant
 - DPW: Perry Fitzpatrick
 - CPSA: Justin Kopca
 - DOE/ODR: Delicia Moore
 - DHS: Hayden Bernard
 - DBH/DHHS: Joyce Jeter
 - DOH: Adreana Deane
 - DHCF: Darin Shaffer
 - DPR: Rosemarie Chee-Wah
 - DYRS: Antonio Baxter
 - HBX: Marjorie Edmonds (HBX is an Independent Agency)
 - DOC: Antonette Hudson-Beckham
 - FEMS: Shelly Graham, Interim
 - MPD/CJCC: David Garner (acting)
 - OCME: Anthony Norman
 - OUC: Doug Kemp
 - HSEMA: John Nitz
 - DFS: Elijah Owuor
 - UDC: Munetsi Tim Musura
 - DCPCS: Marvin Cross, Financial Mgr
 - DCPS: Kevin Appleton
 - OSSE: Paris Saunders
 - OLCG: Craig Lindsey
- Agency Financial Operations - Associate CFOs**
- Economic Dev. and Regulation
Leroy Clay
 - Government Operations
Angelique Hayes Rice
 - Government Services
George Dines
 - Human Support Services
Delicia Moore
 - Public Safety and Justice
David Garner
 - Education
Deloras Shepherd
 - United Medical Center (Not-for-Profit Hospital Corporation)
Lillian Chukwuma
 - Lottery and Charitable Games
Beth Bresnahan Executive Director
 - EventsDC
Henry Mosley

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 (budget, accounting and payroll functions) in all agencies and component units



OCFO Annual Agency Outputs

▪ Tax Returns Processed	1,098,950
▪ Tax Refunds Processed	355,693
▪ Taxpayer Calls Answered	348,285
▪ Written Correspondence Answered	73,672
▪ Deeds Recorded	18,787
▪ Properties Assessed (Commercial and Residential)	196,406
▪ Property Assessment Appeals-1st Level	12,389
▪ Delinquent Payments Collected	\$251,263,311



OCFO Annual Agency Outputs (Cont.)

▪ Wires and ACH Processed	3,953,057
▪ Gross CCU Debt Collected (FY 2019)	\$36,488,945
▪ Total Debt Managed (FY 2019)	\$10,820,134,000
▪ Fiduciary Programs Managed (FY 2019)	\$4,241,809,751
○ OPEB Fund= \$1,509,102,271	
○ 401(a)= \$1,089,783,253*	
○ 457(b)= \$903,512,987*	
○ 529 College Savings=\$691,933,796	
○ UDC Endowment= \$45,706,957	
○ DC Library Trust=\$1,770,451	
▪ Payroll Payments Issued (Regular Employees Only)	977,614***
▪ Bank Reconciliations	5,100 (425 per month)
▪ W-2s Issued	44,151**
▪ 1099s Issued (1099 MISCs and 1099Rs** only)	8,156
▪ Approximately 160 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.

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)*

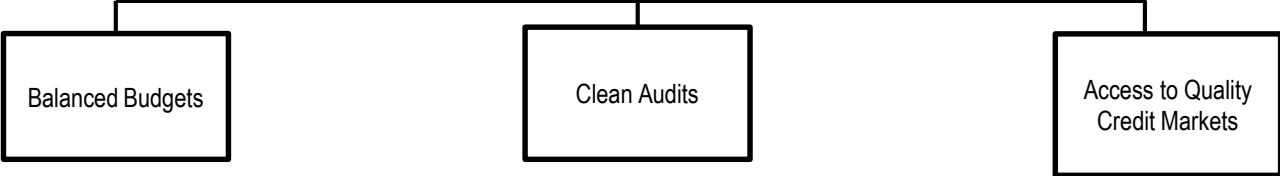
- 6 *Continue to enhance the long-range (15-year) capital financial plan for the District and develop a long-range capital plan for WCSA (EventsDC) (2,3)*
- 7 *Implement a new enterprise-wide accounting and financial reporting system and enhance the availability of information to the public (1,2,3,4,5,7)*
- 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)*

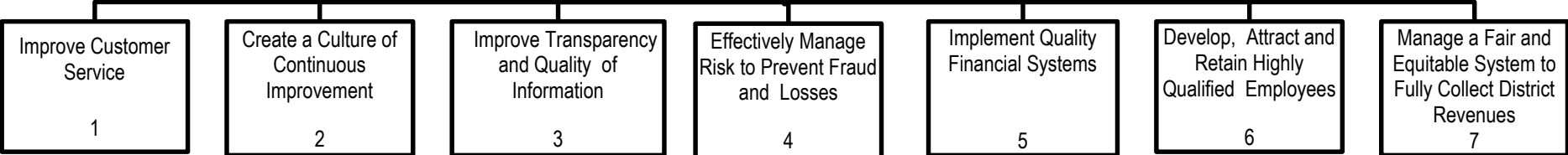
Office of the Chief Financial Officer Strategic Plan

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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

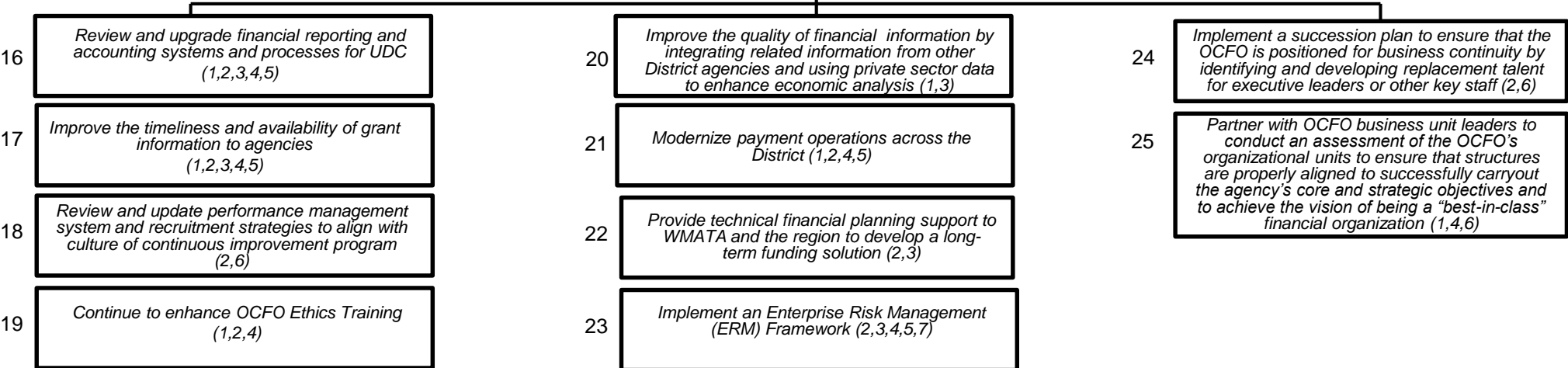
CORE OBJECTIVES



STRATEGIC OBJECTIVES



STRATEGIC INITIATIVES
(see attached work plans)





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



Strategic Plan Highlights/Agency Accomplishments

- General Obligation bond rating of Aaa by Moody's and AA+ by Fitch and Standard and Poor's providing the lowest cost borrowing in District history
- 5th consecutive year with no material weaknesses or significant deficiencies (No Yellow Book)
- Recession Scenario Analysis and Commercial Tax Burden Study
- Office of the Taxpayer Advocate
 - Assists taxpayers in resolving complex tax matters
 - Proposes solutions, including administrative changes to OTR's practices and processes
 - Prepares an annual report to identify initiatives taken and recommendations
 - Taxpayer Bill of Rights



Strategic Plan Highlights/Agency Accomplishments (Cont.)

- Amended bond covenants for Income Tax Secured Bonds (ITSBs) that lower the required reserves from one year to three months for future bond sales while maintaining Aaa rating
- Over the last four months, issued over \$1 billion in municipal bonds to fund new projects; and, refunded (refinanced) \$1.27 billion in ITSBs that were originally sold in 2009 and 2010 reducing future debt service payments over the life of the bonds, resulting in savings of more than 22 percent or \$337 million over the next 15 years.
- CARSS & Long-Range Capital Financial Plan Updated
 - Progress from FY 2019:
 - ✓ \$11.8 billion of total identified capital needs, \$8.5 billion addressed in current CIP (FY 2020-2025), with \$3.3 billion of remaining unfunded capital needs. This amount has been reduced from the \$4.2 billion first reported in the 2016 Long-Range Capital Financial Plan Report.
 - ✓ \$3.3 billion of unfunded capital needs (including \$1 billion, which has been identified as deferred maintenance) can be fully addressed by FY 2028 through a combination of available resources (pay-go, debt, etc.)



Strategic Plan Highlights/Agency Accomplishments (Cont.)

- Modernized Integrated Tax System (MITS)
 - Phases I through IV completed (income, business, sales taxes, etc.)
 - Phase V: Modernized Real Property Tax System (MRPTS) scheduled to go-live December 2020
 - Integration of all tax functions
 - Robust taxpayer notification
 - Appeals tracking module
 - E-commerce and self help
- IAAO-CEAA certification of the Real Property Assessment Division for demonstration of best-in-class appraisal and assessment practices



Ongoing and New Initiatives in 2020

- **Major Change Management effort within OTR (ongoing)**
 - 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 management assessments and testing
- **Development of Center of Excellence**
 - Ensure that the system remains best-in-class
 - Ensure appropriate investment in staff training and learning
 - To be integrated with new Financial System implementation
- **Artificial Intelligence (AI) Pilot Project**
 - Combining standard audit checks with computer driven data analytics to identify areas of noncompliance



Ongoing and New Initiatives in 2020 (Cont.)

- **District Integrated Financial System (DIFS)**
 - Project to modernize/replace current budget and financial system (SOAR), including a treasury management and grants management system
 - ✓ RFP for consulting services in progress (System Implementer); blueprinting IV&V and Change Management vendors in place
 - ✓ Project team identified
 - ✓ Will roll-out in phases (schedule under development)
 - ✓ Budget at \$205 million over 5 years



Benefits of a Financial System Replacement (SOAR Replacement Project)

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 IT maintenance costs
8. Reduced operating and labor costs
9. Increased integration with other systems
10. Elimination of hundreds of shadow databases and spreadsheets throughout the organization

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.



Ongoing and New Initiatives in 2020 (Cont.)

- Collaboration with DC Housing Authority to develop condition assessments of all assets and complete an analysis to determine specific funding required to get all public housing to a state of good repair (similar to WMATA)

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
- Benefits
 1. Risks are prioritized and specific mitigation strategies are developed to address issues before they occur.
 2. More efficient and effective use of resources



Ongoing and New Initiatives in 2020 (Cont.)

Value Based Culture Initiatives

- New performance management system implemented focusing on SMARTER culture values
- OCFO Managerial Certification Program implemented
- Extensive executive discussions on the benefits of a strong organizational culture and development of enhancement programs
- SMARTER Awards program
- SMARTER Culture Survey



QUESTIONS?