

**PUBLIC HEARING**  
**ON**  
**THE FISCAL YEAR 2022 BUDGET**  
**OF THE OFFICE OF**  
**THE CHIEF FINANCIAL OFFICER**

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

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

**June 17, 2021, 9:00 a.m.**  
**Virtual Meeting Platform**



**Testimony of**  
**Fitzroy Lee**  
**Interim 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, Interim Chief Financial Officer of the District of Columbia. I am pleased to appear before you today to discuss the FY 2022 budget request for the Office of the Chief Financial Officer (OCFO).

The OCFO's FY 2022 budget request supports the agency's strategic plan. I will now discuss the budget in greater detail.



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# Office of the Chief Financial Officer

## Fiscal Year 2022 Budget

Fitzroy Lee  
Interim Chief Financial Officer  
June 17, 2021



# 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



# OCFO Annual Agency Outputs

■ Tax Returns Processed	1,090,362
■ Tax Refunds Processed	320,171
■ Taxpayer Calls Answered	349,422
■ Written Correspondence Answered	73,908
■ Deeds Recorded	16,451
■ Properties Assessed (Commercial and Residential)	197,782
■ Property Assessment Appeals-1st Level	13,114
■ Delinquent Payments Collected	\$152,615,841



# OCFO Annual Agency Outputs (Cont.)

■ Wires and ACH Processed (FY 2020)	5,168,245
■ Gross CCU Debt Collected (FY 2020)	\$36,488,945
■ Tax-Supported Debt Outstanding (September 30, 2020)	\$11,628,606,000
■ Fiduciary Programs Managed (September 30, 2020) <sup>1</sup>	\$4,717,811,797
■ Payroll Payments Issued <sup>2</sup> (Regular Employees Only)	1,104,696
■ Bank Reconciliations	5,200
■ W-2s Issued <sup>3</sup>	42,204
■ 1099s Issued (1099-MISCs, 1099-NECs, and 1099-Rs <sup>3</sup> only)	7,743
■ Approximately 160 fiscal impact statements issued per year in addition to numerous other studies, reports, and analyses	

1. See Appendix

2. 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 year-end off-cycle payroll runs.

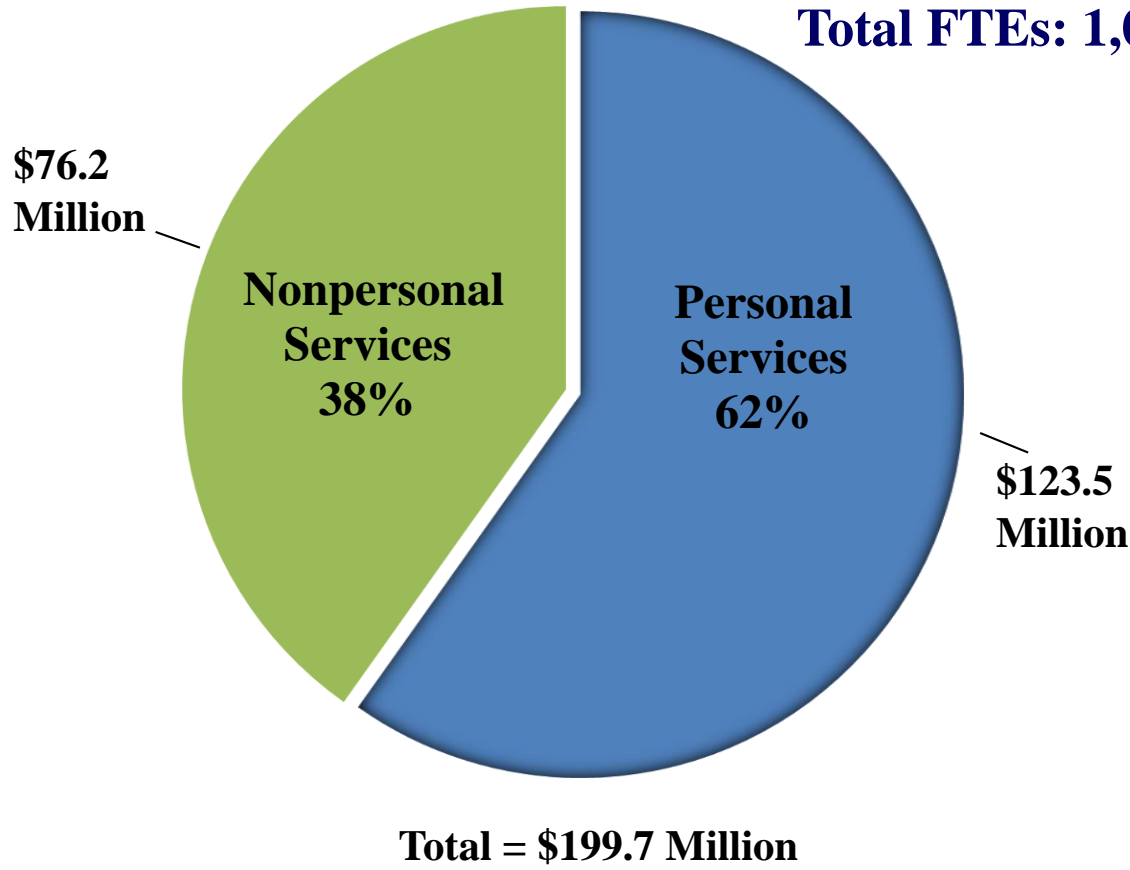
3. Reference – TAX915 (W-2 Summation Report)



# FY 2022 Proposed Operating Budget

## Gross Fund, PS vs NPS

**Local FTEs: 921** (including 5 ARPA FTEs)  
**Nonlocal FTEs: 121**  
**Total FTEs: 1,042**





# Highlights of FY 2022 Budget Request

The OCFO request represents the minimum resources needed to successfully accomplish our mission and attain our stated goals.

- The OCFO FY 2022 Gross Fund budget is \$199.7M, comprised of the following major categories:
  - Local Funds of \$144.5M
  - Federal Grant Funds of \$450K (EBT Management)
  - Intra-District Funds of \$9.2M (Health Benefits Fees - Payroll Support, Single Audit, Cashier Services, and Nursing Home Tax Administration)
  - Special Purpose Revenue (O-Type) Funds of \$45.5M (to administer Central Collections Fund, Tax Collection Fees, Bank Fees, and Unclaimed Property)





# Highlights of FY 2022 Budget Request (Cont.)

## ■ Local Fund Reallocations & Increases

- **Reallocated \$2.7M savings from Merchant Fees to create 8 FTEs & fund NPS needs:**

- Operating Impact of Capital – District Integrated Financial System (DIFS)  
Support: \$2.4M including 5 FTEs

- PS - \$940K to begin the DIFS Support Center of Excellence
- NPS - \$1.5 M for specialized technical support

- Agency Operations: \$347K and 3 FTEs - Budget & Planning, Human Resources, Contracts

- **Local Fund Increases:**

- ARPA: \$364K and 5 FTEs (4 Budget and Planning, 1 Treasury - Grants Management)

## ■ Nonlocal Fund Changes

- **Special Purpose Revenue:**

- Increase of 1 FTE and \$182K to support Unclaimed Property collections.



# On-Going and New Initiatives in 2022

- **Modernized Real Property Tax System (MRPTS) successfully implemented**
- **Major Change Management effort within OTR**
  - Compliance Administration split into two new administrations – Collection and Enforcement (CEA) and Audit and Criminal Investigation (ACI)
  - CEA and ACI review and update of policies and procedures
  - Development of staff training programs in CEA and ACI
  - Development of best-in-class key performance indicators to drive continuous improvement
  - Office of Taxpayer Advocate operational
- **Development of Center of Excellence**
  - Ensures that the system remains best-in-class
  - Ensures appropriate investment in staff training and learning
  - Integration efforts related to DIFS in progress



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

- **Artificial Intelligence (AI) Pilot Project**
  - AI is being effectively incorporated into audit lead selection process and will be expanded to screening tax refunds for the Questionable Refund Detection Team (QRDT) and other applications over the next year.
  
- **Contact Center/Telephony System Modernization**
  - Currently drafting RFP for Customer Contact Center overflow vendor to meet demands of increased call volumes before next filing season.
  
  - Contract award and implementation of a modernized telephony system in 2022, offering additional communication channels and greater support to customers



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

- **District Integrated Financial System (DIFS)**
  - Project to modernize/replace the current financial (SOAR) and budget systems, 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
    - ✓ The financial and budget systems will roll-out in phases, beginning with the financial system in October 2022.
    - ✓ Budget need is at \$205 million over 5 years (*\$26M was removed from the project as part of FY 2021 approved budget. If not restored, will preclude implementation of a new budget system*)



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

- **Treasury Management System (TMS)-Kyriba Software (DIFS Phase I)**
  - TMS Phase I completed; includes operational efficiencies and scalability through implementation of:
    - Bank Connectivity/Data Hub
    - Cash Positioning
    - Cash Accounting
    - Treasury Payments
    - Bank Account Management
  - TMS Phase 2 (in progress) includes:
    - Enhanced Fraud Detection
    - Integrated Business Intelligence



## Expected Benefits of DIFS (District Integrated Financial System Project)

1. Improved data reliability
2. Better reporting and analytics
3. Improved controls for compliance
4. Better informed decision making
5. Less duplication of effort
6. Improved customer service/satisfaction
7. Improved productivity/efficiency
8. Reduced IT maintenance 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.**



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

## ■ **DC Housing Authority**

Use of CARSS to collaborate with DCHA 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

## ■ **Enterprise Risk Management (ERM) Initiative**

An ongoing and integrated approach to identify, assess, and effectively manage risks across the entire agency.

- Identification and prioritization of operational, financial and strategic risks with mitigation plan development
- Frequent organizational risk assessment
- Ongoing review and monitoring of existing risks and the identification of emerging risk



# Ongoing and New Initiatives in 2022 (Cont.)

## Value Based Culture Initiatives

- Performance management system implemented focusing on SMARTER culture and values
- OCFO Managerial Certification Program
- SMARTER Awards Program
- SMARTER Culture Survey
- Development of post-pandemic remote work and return to the workplace policies with employee input





**Questions?**



# Appendix

- **Fiduciary Programs Managed (September 30, 2020) \$4,717,811,797**
  - **OPEB Fund: \$1,640,681,507**
  - **401(a): \$1,224,797,728**
  - **457(b): \$990,048,239**
  - **529 College Savings: \$814,313,389**
  - **UDC Endowment: \$46,184,906**
  - **DC Library Trust: \$1,786,028**