BUDGET HEARING

ON

FY 2010 BUDGET REQUEST OF 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

April 8, 2009, 10:00 a.m.
John A. Wilson Building, Chamber

Testimony of
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Good morning, Chairman Evans and committee members. My name is Anthony Pompa. I am the Deputy Chief Financial Officer for the Office of Financial Operations and Systems (OFOS), and I am pleased to present the following testimony about the FY 2010 budget request for OFOS and related matters for the record.

FY 2010 Operating Budget Request

For FY 2010, OFOS is requesting a total budget of 108 FTEs and $14.3 million. The proposed 108 FTEs are 17 lower that FY 2009 approved but only 3 lower than FY 2008 actual. Included in OFOS for FY 2010 are two positions funded by OTR to ensure the development of comprehensive policies and procedures development. The overall fiscal year 2010 budget has an increase of $105 thousand, only 0.7 percent higher than FY 2009. This level of funding supports the Office of Financial Operations and Systems (OFOS) and the Office of Pay and Retirement Services (OPRS).

FY 2010 Capital Budget Request

One of the OCFO's capital budget priorities is the replacement of the SOAR financial system which will include a new budget module. The SOAR software is no longer supported by the original vendor and is technologically obsolete. This poses a threat to daily financial operations which will only increase as time goes on. A modern system of record with an effective budget development and tracking module will provide greater flexibility and responsiveness to all of our stakeholders. The work to redesign our underlying chart of accounts is underway. We plan to award the contract for system replacement early in FY 2010, and we anticipate the new system will be operational in FY 2012. The capital plan for SOAR replacement includes $5 million over the next two fiscal years. The current

level of funding may not be sufficient to replace SOAR. We will reassess our funding needs once we evaluate the responses to our initial RFP and determine whether additional funding will be needed in the out years.

Another priority for capital funds is the enhancement of the reporting and analysis tools that interpret the information recorded in SOAR. We continue to provide life-cycle upgrades to enhance reliability and to add functionality. We have already added on-line dashboards and greatly increased usability and functionality, while reducing overlapping legacy systems and establishing a firm underlying technical infrastructure that can be maintained and enhanced by the District's workforce. The capital plan has $2 million in FY 2012 in anticipation of future requirements.

FY 2009 Accomplishments

As I provided testimony at the March 6, 2009 oversight hearing, we continue to make improvements in overall operations in Fiscal Year 2009. The monthly and quarterly closings will continue with greater scrutiny, and we will improve this interim closing process at every opportunity.

We will continue to provide general SOAR training for employees, as well as targeted training to assist agencies with their specific accounting requirements. Specialized training is being conducted, and other training tailored to meet agencies' requirements is planned.

OFOS Programs

OFOS continues to shoulder the responsibility for functional SOAR training, as well as the SOAR help desk operations and security for all financial systems

applications. The structure enhances OFOS' ability to readily identify new training requirements based on feedback from the ASMs at the agency level. They also address and resolve PeopleSoft Payroll (Time and Labor entry) issues, PASS related processing and help desk concerns. The responsibility for PeopleSoft Payroll is a function which was turned over from the city-wide ASMP implementation. Additionally, this division has the sole responsibility, city-wide, for coordinating, at the agency level, all financial systems security requests.

The Financial Control & Reporting Division (FCRD) staff is responsible for the intensive examination of reports, analysis of data, preparation of reclassification and other correcting entries, and interactions with agency and other entity staff and the external auditing team.

The FCRD prepares the District's CAFR, while most other jurisdictions use external assistance. Additionally, the FCRD in responsible for compilation and issuance of the Popular Annual Financial Report (PAFR), which complements the CAFR and is geared to stakeholders who desire an overall non technical financial view of the city without having to review the more complex CAFR. This division published the District's first PAFR in FY 2004 and continues to publish this report.

In FY 2009, OFOS reconstituted the Financial Policies and Procedures Division. This division has already begun to revise and update existing policies and procedures. It has also begun a comprehensive analysis of financial operations throughout the District to establish new policies and procedures where needed to further strengthen the District's internal controls and minimize or eliminate Yellow Book findings and Management Letter Comments. Well documented policies and procedures are not only one of the most important elements of a sound internal

control system, but they also serve as an effective tool in current and new employee orientation, training, and cross-training.

OPRS Programs

The Office of Pay and Retirement Services (OPRS) will continue to ensure that the District's workforce and annuitants are paid on time and in accordance with compensation rules. During FY 2008, OPRS processed three biweekly and one semi-monthly payrolls for approximately 40,179 employees and one monthly annuity payroll for approximately 3,800 federal annuitants. These payrolls were processed using three different payroll systems.

In FY 2009, OPRS will continue to transition employees from our legacy payroll system to the new PeopleSoft Payroll System, implemented during FY 2008, with a proposed final conversion of the remaining D. C. Public Schools employees in the third quarter of FY 2009. OPRS also implemented PeopleSoft eTime, employee self service time reporting module as well as ePay, an employee self service personal payroll update module. Both of these self service projects streamlined administrative processes as well as minimized workforce inquiries by providing the employee real-time data updates and view access of personal payroll data and history. The final PeopleSoft conversion will be accomplished in FY 2009 jointly with the D. C. Public Schools Department of Human Resources (DCPS HR) and with the support of the D.C. Office of the Chief Technology Officer (OCTO). Using one system for all payroll processes will allow OPRS to integrate and streamline compensation policies and procedures. It will also improve processing efficiencies by allowing simultaneous processing of multiple

groups of employees, reduce administrative costs with online paperless updates, and improve accuracy by reducing redundant data entry.

However, as with any major IT system implementation, efforts to obtain full efficiencies by streamlining processes will require attention and close oversight. OPRS along with its human resource and technology partners will continue to address agency issues, individual employee questions and implement further automated system changes as appropriate.

Audit Findings Resolution

Generally, in order to effectively resolve an audit finding; be it Yellow Book, Management Letter Comment, or a finding issued by the DC Auditor or the Inspector General, a seamless collaboration of finance, internal audit, and program personnel is required. Each year, several teams comprising of at least one individual from OFOS, the finance cluster (ACFO/AFO), the Office of Integrity and Oversight (OIO), and the program area are formed and assigned to resolve specific findings. The teams develop detailed action plans with a timeline for completion. The effectiveness of each plan is assessed by the teams in collaboration with the OIG and the independent auditors. The respective plans are designed to decisively resolve the existing findings and are used as a basis to improve related procedures and reinforce internal controls, where necessary, to preclude recurrence.

The approved plans are executed and the findings are resolved. In order to further confirm resolution of the findings, the OCFO OIO audits the operational deficiencies that gave rise to the findings to ensure that no additional action is required. The OIO uses audit procedures, similar if not identical, to those that the independent auditor will perform during the CAFR audit.

This concludes my formal testimony for the record. I will be happy to answer any questions you or the other members may have.