

**PUBLIC OVERSIGHT HEARING
ON THE FY 2020 AND FY 2021
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 10, 2021, 9:00 a.m.
Virtual 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 very pleased to appear before you today to testify on the FY2020 performance of the Office of the Chief Financial Officer and outline my plans for the agency in FY 2021 and beyond. I am joined by Angell Jacobs, Deputy CFO (DCFO) and Chief of Staff, Bruno Fernandes, 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.

As we are all aware, FY 2020 presented extraordinary challenges for the District. The global pandemic took our previously booming economy and plunged it into recession. As a result, 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.



OCFO Performance Oversight Hearing FY 2020 and FY 2021

March 10, 2021

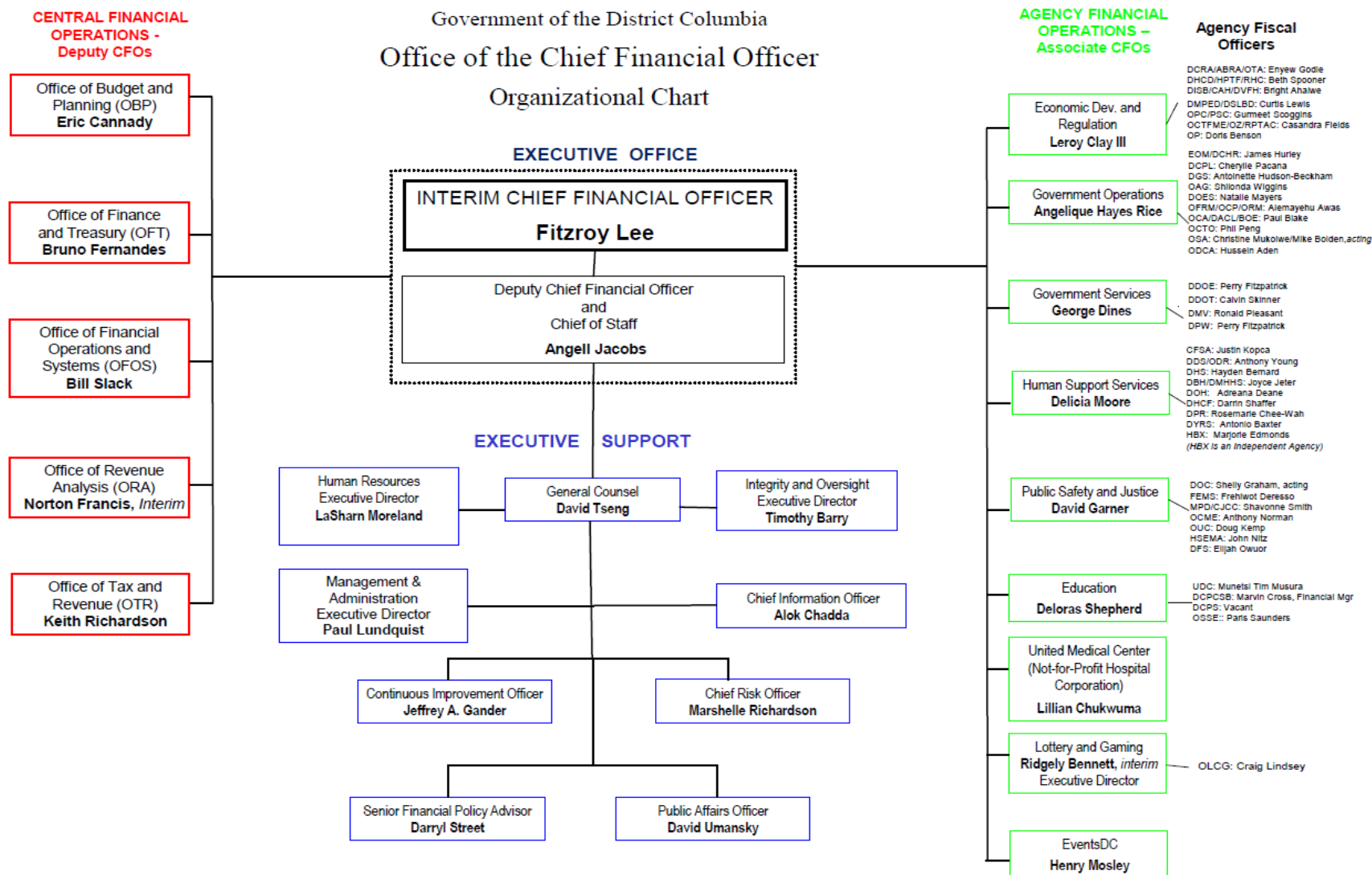


Presentation Overview

- OCFO Overview
- OCFO Purpose, Values, and Core Functions
- Key Performance Metrics for OCFO in FY 2020
- Resilience of OCFO during the COVID-19 Health Emergency
- OCFO Strategic Plan
- Strategic Plan Highlights/Agency Accomplishments
- Ongoing and New Initiatives in FY 2021



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	15,427
■ Properties Assessed (Commercial and Residential)	203,191
■ Property Assessment Appeals-1st Level	13,050
■ Delinquent Payments Collected	\$223,063,856



OCFO Annual Agency Outputs (Cont.)

▪ Wires and ACH Processed	5,168,245
▪ Gross CCU Debt Collected (FY 2020)	\$34,679,515
▪ Total Debt Managed (FY 2020)	\$11,635,439,445
▪ Fiduciary Programs Managed (FY 2020)	\$4,717,796,220
○ 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=\$1,828,627	
▪ Payroll Payments Issued (Regular Employees Only)	1,104,696***
▪ Bank Reconciliations	5,200
▪ W-2s Issued	42,204**
▪ 1099s Issued (1099 MISCs, 1099 NECs, and 1099Rs** only)	7,743
▪ Approximately 115 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.



COVID-19 Public Health Emergency Actions to Deliver Service

- Rapidly reviewed agency functions to ensure safety of staff, determined staff's ability to work remotely, and continued to support District needs
- Implemented Microsoft Teams (previously piloted) for all staff meetings and staff interactions
- Implemented technology, tools, and policies to allow a 100% remote call center at the Office of Tax and Revenue
- Modified several policies and procedures to maintain internal controls in new environment and modified project management methods for systems under development
- Rapidly deployed all tools in recently developed recession plan to preserve cash and reduce budget impacts
- Monitored and adapted to changing federal legislation and guidance; developed accounting and reporting structures based on new grant requirements.



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

Chart 1 of 2

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)

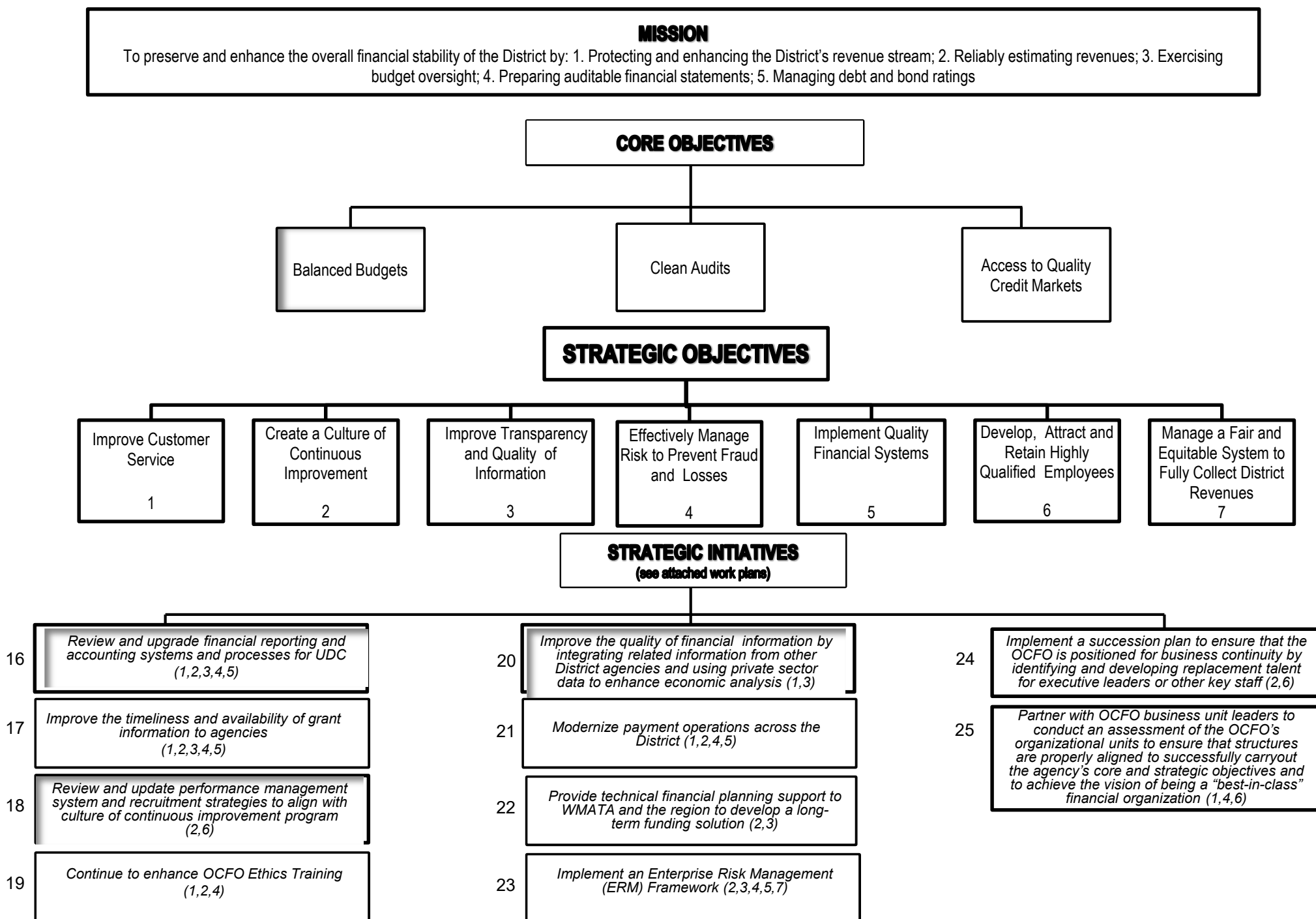
13 Upgrade policy analysis and forecasting tools for Real Property and Sales Tax revenue stream (2,3,)

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

Chart 2 of 2





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
- 6th consecutive year with no material weaknesses or significant deficiencies (No Yellow Book)
- Recession Scenario Analysis (identified tools used in FY 2021 budget)
- New Commercial Tax Burden Study
- Completed detailed review of required changes to the Unemployment Insurance Fund for long-term solvency in collaboration with DOES



Strategic Plan Highlights/Agency Accomplishments (Cont.)

- Amended bond covenants for Income Tax Secured Bonds (ITSBs), lowering the required reserves from one year to four months and increasing resources available for District use.
- Issued over \$3 billion in municipal bonds to fund new projects and refund \$1.27 billion in ITSBS resulting in debt service savings of more than \$337 million (22 percent) over the next 15 years.
- CARSS & Long-Range Capital Financial Plan Updated
 - ✓ \$12.5 billion of total identified capital needs, \$8.2 billion addressed in current CIP (FY 2021-2026), with \$4.3 billion of remaining unfunded capital needs.
 - ✓ \$1.45 billion of unfunded needs has been identified as deferred maintenance that can be fully addressed by FY 2031, previously 2028, by fully using the debt cap and increased pay-go funding as required in local law.



Strategic Plan Highlights/Agency Accomplishments (Cont.)

• Modernized Integrated Tax System (MITS)

- Phase V: Modernized Real Property Tax System (MRPTS) implemented on December 7, 2020 (*reduced total number of systems from 46 to 6, simplifying and reducing risks*)
 - Integration of all tax functions
 - Robust taxpayer notification
 - Appeals tracking module
 - E-commerce and self help

Office of the Taxpayer Advocate (OTA) first full year

- ✓ 1,047 cases were assigned to OTA staff to resolve
- ✓ Conducted 12 outreach events with a focus on taxpayer rights, low-income taxpayers, and small businesses
- ✓ Will produce first report with recommended improvements for OTR

Virtual Hold – provides callback option for OTR callers to reduce wait times



On-Going and New Initiatives in 2021

- **Major 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
- **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**
 - AI is being effectively incorporated into audit lead selection process and will be expanded to screening tax refunds for QRDT and other applications over the next year.



Ongoing and New Initiatives in 2021 (Cont.)

- **Finance and Treasury**
 - Kyriba Treasury Management System (TMS) Phase 1 completed (DIFS Phase 1); operational efficiencies and scalability through implementation of:
 - Bank Connectivity/ Data Hub
 - Cash Positioning
 - Cash Accounting
 - Treasury Payments
 - Bank Account Management



On-Going and New Initiatives in 2021 (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
 - ✓ Phase one of the Treasury Management System complete
 - ✓ The financial and budget systems will roll-out in phases
 - ✓ 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 budget system*)



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.



On-Going and New Initiatives in 2021 (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 (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 2021 (Cont.)

Value Based Culture Initiatives

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



QUESTIONS?