

# **Pre-Hearing Questionnaire for Joshua Gotbaum**

## **The Role of Controller**

**1. The 1990 Chief Financial Officers (CFO) Act established within OMB the important position of Controller to head the Office of Federal Financial Management (OFFM). How do you view the role of the Controller of OFFM at OMB?**

My understanding is that the position of Controller and OFFM were created to provide a focus within OMB and the Executive Branch for improvements in financial management, reporting and systems. The Controller provides leadership in government-wide efforts to improve Federal financial management by coordinating policy and standards development throughout the Executive Branch, working with the Treasury and other agencies. As with other OMB roles, the Controller must work through a combination of leading and coordinating: providing guidance; cooperating with agencies, both informally and through interagency councils; developing standards when appropriate; and exercising review and oversight. He or she must also work cooperatively with the Congress and the GAO.

The Controller should work by leveraging OMB's resources throughout the Federal government. The Controller should work to improve financial and other management by serving as a coach, supporter, and a sounding board for the Federal financial community, the Inspectors General, and the grant-making agencies. Nonetheless, individual agencies ultimately are responsible to perform the work.-

The Controller participates, influences and sometimes chairs the statutory councils: the CFO Council, Chief Information Officers Council, President's Council on Integrity and Efficiency (PCIE), and the Executive Council on Integrity and Efficiency (ECIE) to enhance and ensure the professionalism, effectiveness, and efficiency of the government's financial management and audit responsibilities. The Controller also coordinates the Federal Credit Policy Working Group, which coordinates cash and credit management and debt collection initiatives; and supports government-wide electronic commerce initiatives.

In addition to the CFO Act, I understand that the Controller is also responsible for ensuring the effective implementation of several other government-wide financial management statutes, including the Federal Managers' Financial Integrity Act (FMFIA), the Government Management Reform Act (GMRA), the Single Audit Act Amendments of 1996, the Federal Financial Management Improvement Act (FFMIA), and the Inspector General (IG) Act. In fulfilling these statutory responsibilities, the Controller issues policies and guidance relating to Federal agency financial management and the administration of Federal grant programs administered by States, local governments, colleges and universities, and non-profit organizations.

**2. What knowledge, skills, and abilities do you bring to the Controller position?**

I would hope to bring to the position, if confirmed, a combination of substantive understanding of financial and accounting issues, familiarity with the Administration and both public and private sector management issues generally, an ability to lead and manage, and to develop consensus across agencies and get things done.

I have deep and longstanding familiarity with both government and business. For 13 years, I worked as an investment banker on a wide range of financial matters, from acquisitions and public offerings to financial restructurings and bankruptcies. This work required a detailed understanding of both accounting and finance. For the past two years, I have developed knowledge and understanding of OMB's relationships and processes, as well as familiarity with many officials from other agencies. In prior positions in the Departments of Treasury, I and my staff worked with the actuaries from the Social Security Administration and the Health Care Financing Administration on both policy and reporting issues. I also have experience in management, at OMB and previously in Treasury and the Department of Defense.

**3. What in your educational background makes you the best candidate for Controller?**

My original academic training was in public policy and the law. They provided a base of understanding of governmental programs and processes, including public sector accounting and budgeting. After I became an investment banker, I studied private sector accounting as well.

**4. Since 1994, you have held positions at the Departments of Defense and Treasury and at OMB. How do the responsibilities you had in those positions contribute to your ability to perform as Controller?**

My experience in other agencies and at OMB provides important background. Each position gave me exposure to the processes, personnel and systems of government agencies, providing relationships and understanding that would be very helpful in a coordinating and oversight role such as the Controller. All of them provided an opportunity to manage limited (but talented) staff resources in ways that provide leverage and achieve results.

At the Defense Department, among other things I worked to help the Department adopt private sector business approaches and helping improve the Department's ability to integrate its purchasing and other systems with commercial practices. At my instigation, for example, we developed a course to train DoD staff on basic private financial accounting standards. We also developed and coordinated various reform efforts, from property disposal to private housing construction. In each of these cases, my responsibility was a coordinating role similar to that of the Controller, so the experience in developing a combination of encouragement and oversight would be helpful.

At the Treasury Department, I worked among other matters on Social Security and Medicare Trustees reporting, with the actuaries from the Social Security Administration and the Health Care Financing Administration. This helps provide a basis for understanding financial reporting requirements and roles generally, one of the Controller's most important responsibilities.

At OMB, as Executive Associate Director I have worked with every office in OMB and in the EOP on a range of crosscutting issues and processes. The experience and the position would

provide substantial leverage for OFFM as it continues to work with the Resource Management Offices of OMB and the agencies. I also have developed a familiarity and understanding of budget reporting and accounting requirements, which I think would be helpful in ensuring that financial reporting and performance measures required under the GPRA are integrated into government resource and management decisionmaking.

**5. How will you, as Controller of OFFM, address current Federal financial management challenges?**

As I noted above, I believe the Controller should exercise a combination of leadership, coordination, guidance and oversight. Improving financial management is critical to maintaining public confidence in the integrity and competence of the Federal government. Beginning with the CFO Act, both Congress and the Executive have recognized the importance of developing reporting and auditing standards, improving systems and providing clear reports to the public.

I understand that there has been substantial progress to date, particularly in the achievement of unqualified opinions on agency financial statements, as well as the preparation and audit of government-wide financial statements. Nonetheless, there remains much to do: developing the standards and achieving clean reports for the remaining agencies and the government as a whole; improving systems; and integrating financial and performance information and systems into the ongoing resource, management and policy decisions of the Federal government.

If confirmed, I would hope to continue and build on this progress. I will do this primarily by providing leadership to and working closely with interagency councils, including the CFO, CIO, PCIE, and ECIE Councils. Also, I will work closely with OMB's other senior executives and Resource Management Offices (RMOs).

**6. Given the many issues competing for the attention of OMB staff, strong leadership will be important in ensuring consistent guidance and continued concern for government-wide financial management issues. How do you propose to ensure that OMB's attention to financial management issues is not overwhelmed by short-term budget responsibilities?**

This is an important issue, but one that OMB faces routinely. In order to ensure that ongoing financial and other management issues received the attention they deserved, OMB several years ago established Priority Management Objectives (of which several are in the financial area). Both the management offices and the RMO's work on these, are reported to the Director on their progress every month. In addition, the interagency councils provide a mechanism and forum for maintaining the visibility of these issues. If confirmed as Controller, I would continue to raise and work on these efforts, working with the Deputy Director for Management, other senior OMB officials, the councils and the agencies.

**7. Please describe your views on the role of OFFM's relationship to the rest of OMB.**

As I noted above, OMB is a matrix organization in which each management office works with the RMO's, providing expertise and focus to the RMO's greater resources and ongoing agency relationships. I understand that OFFM already provides training, guidance, and hands-on assistance to RMOs on a variety of financial management topics, including grants management,

financial statement preparation and audit requirements, financial management systems requirements, credit and cash management, and management integrity standards.

**8. In your view, are OFFM staff resources dedicated to financial management issues sufficient for OMB to identify and correct systemic problems, improve government-wide financial management practices, and oversee the implementation of statutory requirements such as those of the CFO Act, the Government Management Reform Act, Federal Financial Management Improvement Act, and the Government Performance and Results Act? What strategies will you use to overcome any OFFM staffing shortfalls?**

Not having been responsible for the office, I cannot offer an authoritative view. I understand that, as with all OMB activities, OFFM accomplishes a great deal with a small staff of dedicated, energetic individuals. Like other OMB offices, it provides leadership, direction and oversight, but relies heavily on the agencies themselves. If confirmed, I would expect to continue taking advantage of the broader OMB staff, as well as the interagency councils and the agencies themselves.

## **Addressing Government-wide Financial Management Issues**

**9. Describe your views on the importance of financial management improvement in general and the CFO Act's financial management requirements in particular?**

As noted above, financial management improvement is critical both to improving the actual operations of government and to maintaining the public's confidence in the government itself.

As amended by GMRA, the CFO Act requires the establishment of a corps of Chief Financial Officers, as well as preparation of agency-wide financial statements, which provide information for assessing budgetary integrity, operating performance, and stewardship. These audits of these financial statements provide feedback on the reliability of reported information and on the adequacy of agencies' systems and controls. In addition, the required *Federal Financial Management Status Report and Five-Year Plan* enforces discipline on the overall process.

I understand that there has been substantial progress to date, particularly the improvement seen in obtaining unqualified opinions on agency financial statements, as well as the preparation and audit of government-wide financial statements. Nonetheless, it is clear there is still much to do.

**10. The 1999 *Federal Financial Management Status Report and Five-Year Plan* describes six financial management priorities. What are your views regarding the key challenges OMB needs to meet to accomplish each of these priorities?**

The objective of this plan is to develop a strategy for achieving financial management goals. OMB recently issued its 1999 *Federal Financial Management Status Report and Five-Year Plan*, which describes six priorities. I have noted what I view as the key challenges to each.

*Improve Financial Accountability* – Agencies must continue to address deficiencies that affect the quality of financial information and prevent unqualified audit opinions. In addition, agencies will need to modify and upgrade their systems to support revised accounting standards.

*Improve Financial Management Systems* – There is clearly much to do here, and OMB needs to determine how best to exercise continued leadership to support agency implementation of financial systems improvements. I understand that this will involve continued support and close coordination with the CFO Council and the Joint Financial Management Improvement Program (JFMIP), which is operated jointly by OMB, GAO, Treasury, and the Office of Personnel Management.

*Develop Human Resources* – I understand that the CFO Council is working with the Office of Personnel Management to develop both recruitment and retention strategies to maintain a skilled financial management work force.

*Improve Management of Receivables* – OMB needs to continue to support the implementation of the Debt Collection Improvement Act in agency decisions about holding, servicing, or disposing of debt and efforts by the Treasury at offsetting and cross-servicing. This will involve a continued effort at education and guidance of the affected agencies.

*Use Electronic Commerce to Improve Financial Management* – The government needs to use technology to deliver services and collect information more efficiently and effectively, while respecting people's privacy. Since doing so will require wholesale reform of information systems (to interface automatically with private systems), we could at the same time take advantage of the upgrades to improve financial systems as well.

*Improve Administration of Federal Grant Programs* – I understand that there have been several serious efforts at simplification and/or integration of grants programs, such as those covered by the Workforce Investment Act. Government must continue its efforts to simplify and modernize grants management administration, while maintaining the accountability demanded by the Congress and the public.

**11. The President's goal is to achieve an unqualified opinion on the consolidated government wide financial statements for fiscal year 1999. Will this goal be achieved and what are your plans for ensuring that it is met?**

As I noted above, developing financial statements prepared in accordance with generally accepted accounting principles and publicly reporting the audit results will help provide confidence in the integrity of government programs generally. I understand that the government has been working on this goal throughout the 1990s. Although substantial progress has been made, achieving the goal will not be easy. It will be achieved, but not by the FY1999 audit. The Federal government had operated for more than 200 years without audited Federal financial statements. As a result of GMRA, the first government-wide financial statements were produced and subjected to audit for 1997, and again for 1998. This was an enormous undertaking and the audits identified many shortcomings, both in systems and standards, that people throughout the Federal government have been working diligently to resolve.

As I understand it, there remain two primary obstacles to an unqualified opinion on the government's financial statements: (a) the elimination of intra-governmental transactions, and (b) financial reporting issues at the Department of Defense (DOD). The intra-governmental transactions issue is being addressed collectively by GAO, Treasury, OMB, and the CFO Council. I understand there is substantial attention being paid to both, but neither will be completed this year. If confirmed, I would continue to highlight and encourage these efforts, working with senior officials from Treasury, GAO, OMB and the Department of Defense.

**12. The President's May 26, 1998 directive requires the heads of agencies designated by OMB to report quarterly on progress in meeting milestones set out in action plans to address financial reporting deficiencies and to obtain unqualified opinions on their financial statements. What are your strategies for monitoring agencies' reports submitted under this directive and ensuring that these agencies are on track to overcome the impediments identified by agency heads?**

Currently, OMB reviews the quarterly reports and meets with agencies that are deemed "at risk." These meetings include GAO, OMB, Treasury, and the agency Inspector General senior staff. If confirmed, I will continue these efforts. I would also provide regular status reports to the CFO and PCIE councils, sharing best practices throughout the financial management community.

**13. GAO has designated several agencies' financial management -- DOD, IRS, FAA, Forest Service -- as high risk. What steps will you take to ensure that these agencies in particular adequately address the underlying financial systems and control problems promptly?**

I understand that agencies that GAO designated as "high risk" in financial management are receiving a high level of attention from senior agency management. These agencies have worked with GAO, OMB, Treasury, and their agency Inspector General staff to develop plans to correct the deficiencies that caused their high risk designation. Also, senior officials from GAO, OMB, Treasury and the Inspector General staff convene follow-up meetings with the heads of the agencies to review the plans and monitor progress. If confirmed, I will ensure that this follow-up on agency plans continues.

**14. How do you envision your role regarding agencies' efforts to implement the Federal Financial Management Improvement Act of 1996? Specifically, how will you actively facilitate agencies' efforts to implement effective cost accounting practices and define appropriate techniques to integrate these practices with budgetary reporting practices?**

I understand that, in this area as elsewhere, OMB's role has been to encourage agency compliance through the issuance of guidance and monitoring of agency actions. I would expect to continue this if confirmed.

With respect to cost accounting, I understand that OMB, the Joint Financial Management Improvement Program (JFMIP), and the CFO Council have been active recently in this area. OMB issued the Federal Accounting Standards Advisory Board's (FASAB) Statement of Federal Financial Accounting Standard (SSFAS) No. 4 concerning cost accounting, JFMIP issued cost accounting systems requirements, and the CFO Council issued a corresponding implementation guide.

I understand that integration of cost accounting with budget accounting is a topic of ongoing discussion at OMB, one I support. If confirmed, I would expect to work to advance this by working with agencies through the CFO council and the budget process.

**15. What are your views on the adequacy of agencies' financial management staff resources and training and what are your strategies for helping to shore up this area?**

Agency staffs are challenged both by the increasing complexity and sophistication of the work expected of them. Over the last 20 years we have seen an evolution of the composition of work which agencies perform from one focused largely on bookkeeping work to increasingly complex automated systems. I understand that the agencies in the CFO Council are concerned that the US government may not be sufficiently competitive to retain the qualified personnel that are necessary. The CFO Council has been working with the Office of Personnel Management to provide procedures and tools to enhance the capability of financial staff. These include qualification requirements, training programs, and recruiting and retention tools. If confirmed, I would work to support this effort.

**16. Given the increased emphasis on performance information and managerial cost accounting, do you believe you will have the staff capacity to develop and utilize such information?**

If properly used, performance and cost accounting information can be powerful tools for agency management and OMB in fulfilling their respective responsibilities. The key to achieving greater use of this information is to integrate it into the normal course of business by OMB, the President, and Congress when examining programs and making budget decisions, and by the agencies in managing their programs. I am committed to improving RMO staff development and enhancement of the skills and experience they need to use performance and cost accounting information to address the management and budget issues the Federal government faces.

**17. How do you plan to ensure that OMB's and Federal agencies' financial management functions are not jeopardized by Y2K failures?**

OMB's and the President's Council on Y2K Conversion have required agencies to identify mission critical systems, including financial systems. I understand that as of September 15th agencies now report 98% compliance on mission critical systems. OMB has also asked agencies to submit Business Continuity and Contingency Plans and worked with the CIO Council, GAO and others to refine them. OMB and Y2K Council oversight of agency remediation, testing, and contingency planning continues actively.

## **Supporting Performance-Based Management and Accountability**

**18. What do you see as OMB's and the Controller's role in fostering government wide performance-based management and accountability?**

OMB and the Controller have an important leadership role in promoting performance-based management across the government. An essential element in this effort is to continue to more fully integrate performance measures into budgeting and management processes. To do so, the Controller needs to work with agencies' to strengthen their capacity to provide performance information linked to financial and budget reporting. This means being a coach, supporter and catalyst for integrated and complementary use of financial information in support of both management and budget processes.

**19. Given the increased emphasis on the use of agencies' financial statements and cost data, how would you suggest building the OMB Resource Management Office staffs' capacity to effectively utilize this information?**

OMB's program examiners are expected to perform analysis related to financial management, information technology, procurement, and program evaluation issues for their assigned agencies. These requirements are part of the job description and qualifications OMB uses to recruit and select examiners, as well as the performance standards that Branch Chiefs use to assess individual performance and that senior management uses to determine performance awards and promotions.

The RMOs' ability to do this requires a combination of internal training and consultation with the management offices. OFFM, OIRA and OFPP staff serve as consultants to program examiners in the RMOs and participate on teams reviewing significant issues, such as reviews of financial statements and major information technology investments. In addition to this direct consultation, RMO expertise in management issues is enhanced through OMB's training program.

**20. How do you think the position of Controller could best demonstrate how the development and effective use of results-oriented performance measures can benefit agencies?**

The key to demonstrating the benefit of performance information is to use it in reviews of both budget and operations/management, and then to publicize that fact. Our progress will depend on GPRA becoming integrated into these processes, not being separate from them. If confirmed as Controller, I would continue the efforts I have undertaken as Executive Associate Director to ensure that performance measures are incorporated into OMB's budget processes, and work to bring them into the discussions of the management councils as well.

**21. What role should the Controller play in the development and execution of agencies' strategic and performance planning?**

The Controller should work with the agencies to ensure that their plans and reports are not only prepared consistently with the statute and OMB's instructions, but are useful and used in the normal course of business. This means working collaboratively through the RMOs with individual agencies and collectively with the Chief Financial Officers Council to bring about greater use of performance information, including linking performance with the budget. Ultimately, the Results Act plans and reports are the agencies to prepare and use, but OMB can provide encouragement, guidance and oversight.



**22. According to the General Accounting Office, most agency FY2000 performance plans suffer from a lack of confidence that performance data will be credible. In fact, 20 of 24 major agencies provided little confidence that performance data will be credible. What would you do as Controller to address these systemic, government wide problems with data reliability? And what steps will you take to ensure that agencies provide reliable performance data to you and Congress?**

Agencies' FY 2000 plans were, on the whole, markedly better than what we saw in FY 1999. OMB expects the scope, quality and usefulness of the FY 2001 plans will be better still. There is, as everyone recognizes, room for improvement. But, the agencies have made, and are continuing to make, real progress.

I understand that OMB has provided guidance on the preparation and submission of annual performance plans and reports provides instructions on the systems, processes, and practices for collecting and reporting performance information. OMB staff have also coordinated with the Inspectors General on their prospective role regarding the verification and validation of reported data. If confirmed as Controller, I would work closely with the agencies, both individually and through the CFO Council and other councils, to see that they develop and use reliable performance information.

**23. What are your views on the level of attention that the Inspectors General should give to issues of program effectiveness and to making recommendations for achieving improvements in that area – particularly in light of the Results Act? What role should the Inspectors General play in auditing and verifying the results reported by programs and in evaluating program performance?**

Since its enactment in 1993, agency implementation of the Results Act is still an evolving process. Agencies are still refining – and struggling with – effective and meaningful performance measures. Rather than quell agency efforts to develop measures by demanding extensive auditing and verification of the information or measures before the agencies have enough experience to know which are meaningful, it might be more useful at this time for the IGs to help agencies establish controls over performance information and by sharing their perspective on appropriate measures given their knowledge of agency programs and operations.

## **Carrying Out OMB's Strategic Plan and Performance Plan**

**24. How do you view the role of the Controller in achieving the goals set forth in OMB's strategic plan?**

The OMB strategic plan states four primary goals:

- (1) Recommend to the President spending, regulatory, tax and other policies that fulfill the President's policy goals and promote sustainable economic growth.
- (2) Provide management leadership to ensure faithful execution of the enacted budget, programs, regulations, and policies.

(3) Assist the President by providing analysis and advice on critical longer-range demographic, fiscal and economic trends, and on significant issues.

(4) Improve OMB's means for accomplishing work, including development and use of its human resources and information systems.

Obviously, the Controller's primary obligations relate to the management goals. However, OFFM can work to ensure that agency budgets provide adequate resources for program implementation and that credit policies are consistent with other economic policy programs.

**25. What do you see as the most important objectives requiring your attention among those identified in the performance plan?**

As noted above, the Controller has special responsibilities to achieve Goal 2: "Provide management leadership to ensure the faithful execution of the enacted budget, programs, regulations and policies."

Objectives under that goal include:

working with agencies to improve management practices throughout the government on an agency-specific and inter-agency basis;

improving government performance by meeting GPRA requirements;

assisting each of the 24 CFO Act agencies in obtaining unqualified and timely audit opinions on their financial statements;

providing agencies with commercial off-the-shelf (COTS) accounting software and financial management tools to replace antiquated and noncompliant systems;

facilitating the use of commercial services such as multi-purpose bank cards to promote outsourcing transaction processing;

conducting prototypes to demonstrate program improvements and enhanced financial management in major benefit delivery or credit programs; and

working with the agencies and GAO to obtain an unqualified and timely opinion on the financial statement of the U.S. Government.

The Controller and OFFM work collaboratively with the CFO Council in pursuit of these shared objectives. Much progress has been made toward achieving these objectives, as described in the 1999 *Federal Financial Management Status Report and Five-Year Plan*. If confirmed, advancing these goals would be my primary objective as Controller.

**26. How do you plan to work with OMB's senior executives in implementing the goals and objectives set forth in the performance plan?**

As noted earlier, OMB is a collegial, matrix organization which relies heavily both upon cooperation between offices and on the support and dedication of a very talented staff. OMB senior executives work together and share staff to address various issues as they arise. I expect OFFM and the Controller to be no different: collaborating with OMB's other statutory offices and the RMOs in those areas of mutual interest.

To create a clear set of priorities for management efforts, the Administration has identified a set of Priority Management Objectives (PMOs). Many of the goals and objectives included in OMB's performance plan are addressed in various PMOs. PMOs are published annually in the President's Budget and OMB senior executives report monthly to the Director regarding ongoing efforts, achievements, and planned next steps. As Controller, I would be responsible for PMOs that relate to improving financial management, and would work with the RMO's, interagency councils and individual agencies to see that progress is made.

**27. In your view, what is the role of the Controller in achieving the performance goals set out in the annual performance plan?**

As noted in my response to question 25, if confirmed, I would make achieving these performance goals my primary objective as Controller.

**28. Which of the goals identified in OMB's annual performance plan do you think are the most important from the Controller's perspective?**

As noted above, the Controller has a special obligation to provide management leadership to ensure the faithful execution of the enacted budget, programs, regulations, and policies in the financial management areas described in question 25. At this time, I don't think I can provide a ranking among them.

## **Establishing Effective Relationships With Others**

**29. How do you, as Controller, plan to ensure good communication and effective working relationships with agency's CFOs? The CFOs Council? The IG community? The agency Chief Information Officers? The Joint Financial Management Improvement Program? The Federal Accounting Standards Advisory Board? The President's Council on Integrity and Efficiency?**

OFFM and the Controller play key roles in each of these interagency organizations. I believe it is critical for the Controller and OFFM staff to provide strong leadership, coordination, communication and support to help each of them contribute to improving government. In my experience, interagency and interdisciplinary efforts to pool resources and knowledge on crosscutting issues require energy, attention and patience. For issues such as electronic benefit payments, grants, travel and other common administrative services, credit and debt management,

financial and information systems, and systems security, however, they could be rewarding and help agencies help each other, to improve the quality