

Advance Policy Questions for Susan J. Rabern
Nominee to be Assistant Secretary of the Navy for
Financial Management and Comptroller

Defense Reforms

The Goldwater-Nichols Department of Defense Reorganization Act of 1986 and the Special Operations reforms have strengthened the war-fighting readiness of our Armed Forces. They have enhanced civilian control and clearly delineated the operational chain of command and the responsibilities and authorities of the combatant commanders, and the role of the Chairman of the Joint Chiefs of Staff. They have also clarified the responsibility of the Military Departments to recruit, organize, train, equip, and maintain forces for assignment to the combatant commanders.

Do you see the need for modifications of any Goldwater-Nichols Act provisions?

If so, what areas do you believe might be appropriate to address in these modifications?

Answer: I do not see the need to modify any provisions of the Goldwater-Nichols Act.

Duties of the Assistant Secretary of the Navy (Financial Management and Comptroller)

What is your understanding of the duties and functions of the Assistant Secretary of the Navy (Financial Management and Comptroller)?

Answer: The Assistant Secretary of the Navy (Financial Management and Comptroller) directs and manages the financial activities of the Department of the Navy. This means overseeing the management of the annual budget, its execution, financial reporting and subsequent audit, as well as providing independent analysis. The office provides informed recommendations to the senior leadership of the Department of the Navy regarding the efficient and effective allocation of assets, consistent with the national security priorities of the President and the Secretary of Defense. The office provides for the development of a world-class financial management work force and is committed to the American public for the proper stewardship of the resources they entrust to the Department of the Navy.

What background and experience do you possess that you believe qualifies you to perform these duties?

Answer: I have significant financial management experience in multiple government agencies including the Federal Bureau of Investigation, the U.S. Customs Service, the U.S. Agency for International Development and while on active duty in the United States Navy.

As Chief Financial Officer of the U.S. Agency for International Development, I was responsible for all financial matters related to the delivery of economic development and humanitarian assistance programs through grants, contracts, and loans to governmental and non-governmental organizations globally. I was responsible for reform and refurbishment of financial systems, implementing changes in the management of government expenditures, trust funds and loans in over one hundred appropriations.

As Assistant Commissioner & Chief Financial Officer of the U.S. Customs Service, I served as the key advisor to the Commissioner on all matters relating financial and resource programs, construction and procurement. I directed the formulation, presentation and execution of the Customs Service budget, obligation of funds and employment ceilings, managed annual appropriations, revenue, procurement, real property and other assets in over 600 locations worldwide.

As the Chief Financial Officer for the Federal Bureau of Investigation, I was the principal advisor to the Director on all financial matters, and responsible for all financial planning, programming, budgeting, investment, and contracting, establishing standards and procedures worldwide.

Do you believe that there are any actions that you need to take to enhance your ability to perform the duties of the Assistant Secretary of the Navy (Financial Management and Comptroller)?

Answer: If confirmed, I will quickly identify any shortcomings in my knowledge regarding the many challenging issues facing the Department of the Navy through discussions with subject matter experts within the Navy and the broader Department of Defense.

Relationships

What is your understanding of the relationship between the Assistant Secretary of the Navy (Financial Management and Comptroller) and each of the following:

The Secretary of the Navy

Answer: The Assistant Secretary of the Navy (Financial Management and Comptroller) is the principal advisor to the Secretary and Under Secretary of the Navy on fiscal and budgetary matters and performs such other duties as the Secretary or Under Secretary may prescribe.

The Under Secretary of the Navy/Chief Management Officer of the Navy

Answer: See response above.

The other Assistant Secretaries of the Navy

Answer: The Assistant Secretary of the Navy (Financial Management and Comptroller) works directly with the other Assistant Secretaries of the Navy to ensure that the financial management activities of their respective organizations are supported.

The General Counsel of the Navy

Answer: The Assistant Secretary of the Navy (Financial Management and Comptroller) must collaborate with the General Counsel to ensure all operations of the Department conform to fiscal law requirements.

The Chief of Naval Operations

Answer: The Assistant Secretary of the Navy (Financial Management and Comptroller) should make certain that the Chief of Naval Operations has the financial support necessary to execute his statutory duties and responsibilities.

The Commandant of the Marine Corps

Answer: Likewise, the Assistant Secretary of the Navy (Financial Management and Comptroller) should make certain that the Commandant of the Marine Corps has the financial support necessary to execute his statutory duties and responsibilities.

The Under Secretary of Defense (Comptroller)

Answer: The Assistant Secretary of the Navy (Financial Management and Comptroller) must work closely with the Under Secretary of Defense (Comptroller) to ensure the appropriate development and execution of budgetary and fiscal policies and initiatives of the President, the Secretary of Defense and the Secretary of the Navy.

The Deputy Chief Management Officer of the Department of Defense

Answer: Likewise, the Assistant Secretary of the Navy (Financial Management and Comptroller) must work closely with the Deputy Chief Management Officer of the Department of Defense to ensure the implementation of business systems architecture and to help identify business process improvements.

The Assistant Secretaries for Financial Management of the Army and Air Force

Answer: The Assistant Secretary of the Navy (Financial Management and Comptroller) must work closely with sister service counterparts to ensure that decision making at all levels reflects the strongest cooperation and collaboration (to include sharing of best practices) among the military services.

The Chief of Legislative Affairs for the Department of the Navy

Answer: The Assistant Secretary of the Navy (Financial Management and Comptroller) should work closely with the Chief of Legislative Affairs to ensure that all budgetary and legislative matters are properly conveyed to the appropriate members of Congress and Committees.

Major Challenges

In your view, what are the major challenges that confront the Assistant Secretary of the Navy for Financial Management and Comptroller?

Answer: In sum, (1) balancing the budget while ensuring requirements of the warfighter are met; (2) ensuring the financial management workforce is recruited, retained, trained and developed; (3) ensuring the financial statements within the Navy and Marine Corps are audit-ready.

Assuming you are confirmed, what plans do you have for addressing these challenges?

Answer: Standing alone, the challenges I enumerated above are considerable. In the context of the constraints of the Budget Control Act of 2011, the challenges are even more daunting and can only be accomplished through close coordination with the Undersecretary of Defense (Comptroller), the Secretary and Under Secretary of the Navy and the Navy's service chiefs.

What do you consider to be the most significant problems in the performance of the functions of the Assistant Secretary of the Navy for Financial Management and Comptroller?

Answer: I am aware that the specific impacts of furlough associated with the Department's effort to manage the effects sequestration have had a negative impact on the performance and functions of the Assistant Secretary of the Navy for Financial Management and Comptroller.

If confirmed, what management actions and timelines would you establish to address these problems?

Answer: Specific solutions, which in turn would determine the timeline, must be the product of collaboration with the Office of the Secretary of Defense and the

Congress. If confirmed, I will do everything in my power to find solutions to the problems and/or to mitigate the impacts.

Priorities

If confirmed, what broad priorities would you establish in terms of issues which must be addressed by the Assistant Secretary of the Navy (Financial Management and Comptroller)?

Answer: My priorities are aligned to what I perceive as the Department's greatest challenges. In sum, (1) balancing the budget while ensuring requirements of the warfighter are met; (2) ensuring the financial management workforce is recruited, retained, trained and developed; (3) ensuring the financial statements within the Navy and Marine Corps are audit-ready.

Civilian and Military Roles in the Navy Budget Process

What is your understanding of the division of responsibility between the Assistant Secretary of the Navy (Financial Management and Comptroller) and the senior military officers responsible for budget matters in Office of the Chief of Naval Operations and headquarters, Marine Corps, in making program and budget decisions, including the preparation of the Navy Program Objective Memorandum, the annual budget submission, and the Future Years Defense Program?

Answer: The Assistant Secretary of the Navy (Financial Management and Comptroller) is responsible for all budget matters within the Department. If I am confirmed, the senior military officers, including the Director of the office of Budget, would serve as principal military advisors to me in my capacity to oversee the development of the Departments Program Objective Memorandum, annual budget submission and Future Years Defense Program.

Financial Management and Accountability

DOD's financial management deficiencies have been the subject of many audit reports over the past 10 or more years. Despite numerous strategies and initiatives, problems with financial management and data continue.

What do you consider to be the top financial management issues that must be addressed by the Department of the Navy over the next five years?

Answer: The top financial management issues include: (1) balancing the budget while ensuring requirements of the warfighter are met; (2) ensuring the financial

management workforce is recruited, retained, trained and developed; (3) ensuring the financial statements within the Navy and Marine Corps are audit-ready.

If confirmed, how would you plan to ensure that progress is made toward improved financial management in the Navy?

Answer: If confirmed, I commit to working closely with my civilian counterparts and military leadership within the Department of the Navy and the Office of the Secretary of Defense (Comptroller) to properly allocate resources, to improve our systems and processes, to recruit and retain the right workforce and to achieve auditable financial statements.

If confirmed, what private business practices, if any, would you advocate for adoption by the Department of Defense and the Department of the Navy?

Answer: At this time, I am not aware of any private business practices that I would advocate for adoption. If confirmed, I will consider best financial practices from within the private sector and other well-run federal or state agencies.

What are the most important performance measurements you would use, if confirmed, to evaluate changes in the Navy's financial operations to determine if its plans and initiatives are being implemented as intended and anticipated results are being achieved?

Answer: The timely distribution and allocation of funds; the timely obligation of funds; balance of funds with the Treasury, the percentage of invoices that are paid in timely fashion, the amount of interest penalties paid, and the timeliness of financial data are all performance measures that I believe require close monitoring. If confirmed, I would track these metrics along with the scheduled timelines previously established within the Department of the Navy. I would use these indices to evaluate where and how to make any adjustments.

Section 1003 of the National Defense Authorization Act for Fiscal Year 2010 establishes an objective for the Department of Defense to ensure that its financial statements are validated as ready for audit by not later than September 30, 2017. The provision requires the Department to establish interim goals, including objectives for each of the military departments.

What is your understanding of the status of Navy efforts to ensure that its financial statement is validated as ready for audit by the statutory deadline?

Answer: I understand that the Department has a Financial Improvement Plan and is making progress toward achieving auditable financial statements. However, a substantial amount of work remains to be completed if the Department is to improve its business processes and systems. Difficult issues must be addressed, including the valuation of major weapon systems and equipment. While I support

the 2017 goal, I have not had the opportunity to review the plan and at this time could not inform you of my confidence level that the September 30, 2017 goal is achievable.

What additional steps do you believe the Department of the Navy should take to ensure that it meets the 2017 deadline?

Answer: Maintaining a steady focus and commitment on all Department efforts enabling audit readiness will be critical to success in 2017 and lay the foundation for a sustainable audit environment well into the future. If confirmed, I will review the objectives that have been prepared and determine whether they appear to be reasonable and effective.

What is the role of the Assistant Secretary of the Navy (Financial Management and Comptroller) in this effort?

Answer: The Assistant Secretary of the Navy (Financial Management and Comptroller) provides the overall leadership within the Department to achieve auditable financial statements. However, the ability to produce auditable statements is influenced by all the business operations and processes within the Department. If confirmed, I will work with the civilian and military leadership, process owners and the Office of the Secretary of Defense (Comptroller) to meet the requirement for auditable financial statements.

If confirmed, how will you work with the Chief Management Officer of the Department of the Navy and the Navy Business Transformation Office in this effort?

Answer: If confirmed, I will work closely with the Chief Management Officer of the Department of the Navy and the Navy Business Transformation Office to ensure that budget, finance, and accounting operations are considered in changes to Department of the Navy business processes. I will provide leadership and advice in the financial management functional area and ensure that those efforts are aligned with Department of Defense priorities to achieve and sustain auditable financial statements.

Supplemental Funding and Annual Budgeting

Since September 11, 2001, the Department of Defense has paid for much of the cost of ongoing military operations through supplemental appropriations, and the FY 2014 budget included a full-year request for overseas contingency operations.

What are your views regarding the use of supplemental appropriations to fund the cost of ongoing military operations?

Answer: The longstanding practice of using supplemental appropriation requests to fund contingency operations has allowed the administration and Congress to specifically identify and review the cost of military operations above those costs necessary to provide for ongoing national security activities. While this has been an added burden to the resource process, it should continue to diminish as operations continue to wind down. I believe this method has been helpful in allowing these two branches of government to fulfill their respective roles and responsibilities.

Budget Control Act and Sequestration

Due to the 2011 Budget Control Act (BCA) sequestration is cutting the enacted FY 2013 defense budget by more than \$40 billion and, without changes to the BCA, sequestration will cut the DoD budget request by approximately \$52 billion.

What are your views regarding the Budget Control Act and sequestration of budgetary resources?

Answer:

The BCA is law until the President and Congress negotiate an alternative solution. I agree with the general observations made by those involved that ensuring compliance with BCA implementation requirements has produced significant challenges to effective and efficient DoD operations. I am also aware that the possibility exists for implementation of the BCA in FY14 if the law remains in place.

If confirmed, it will be my responsibility to advise the Secretary of the Navy, the Chief of Naval Operations and the Commandant of the Marine Corps how best to implement BCA reductions to lessen the adverse impact that sequestration will have on the Naval enterprise and on national security.

What is your view of the impact that sequestration in FY2014 and beyond would have in the Department of the Navy?

Answer: At this point, I am unfamiliar with the specific effects of sequestration in FY14 and beyond for the Department of the Navy, but I generally understand and personally believe that sequestration will in all likelihood, dramatically, and in very short order, degrade readiness and adversely affect the health and morale of the all volunteer force. If confirmed, it will be my responsibility to advise the Secretary of the Navy, the Chief of Naval Operations and the Commandant of the

Marine Corps how best to implement BCA reductions to lessen the adverse impact that sequestration will have on the Naval enterprise and on national security.

Furlough of Navy Personnel

It was previously reported that the Navy believed it could structure its available FY 2013 funding to avoid having any furlough days for Navy civilian workers. However, other parts of DoD were not in a position to do the same for their own civilian workers and, in the end, DoD's solution was to have all DoD civilian workers, including Navy civilian workers, take up to 11 furlough days.

What is the impact on the Navy's various budget accounts, and on Navy readiness, of the DoD decision to require Navy civilian workers to be furloughed for up to 11 days?

Answer: While I am aware that the CNO and Commandant had to make very tough choices, I do not have insight into the DoD decision process that required them to direct the DON to furlough. If confirmed, I will be able to study these impacts further and provide you greater insight in the future.

Now that the Navy has finally determined the impact of the March 1, 2013, sequester on the Navy's FY 2013 accounts, was the impact of the sequester on the Navy along the lines of what Navy and DoD officials originally expected and forecast?

Answer: I do not have insight into how the DON is implementing sequestration versus its original forecasts. If confirmed, I will be able to review FY13 execution to assess the final impact of sequestration.

What does the experience with the sequestration of FY 2013 accounts tell us about the potential impact of sequestration later this year or early next year on the Navy's FY 2014 accounts?

Answer: While the President's Budget submitted for FY2014 did not assume the impacts of sequestration, it is my understanding that the Department has been directed to prepare for the possibility of sequestration continuing into FY2014. I am not aware of any specifics.

Authorization for National Defense Programs

Do you believe that an authorization pursuant to section 114 of title 10, U.S. Code, is necessary before funds for operations and maintenance,

procurement, research and development, and military construction may be made available for obligation by the Department of Defense?

Answer: Yes. Furthermore, if confirmed, I will respect the views and prerogatives of the Department's oversight committees.

Laboratory Directed Research and Development (LDRD)

Section 219 of the FY 2009 NDAA authorized the Secretary of Defense, in consultation with the Secretaries of the military departments, to “establish mechanisms under which the director of a defense laboratory may use an amount of funds equal to not more than three per cent of all funds available to the defense laboratory ... to fund innovative basic and applied research and several other purposes at these laboratories.” Similar to the model of the Department of Energy LDRD program, the purpose of section 219 is to provide funding and discretion to the Navy's laboratory and technical center directors, to support the continued infusion of new ideas that support Navy missions, and in particular to authorize the directors to exercise some discretion in investing in promising technologies and other laboratory activities.

What should the role and authority of the Navy comptroller's organization be in implementing this statute?

Answer: I agree that the Navy's laboratory and technical centers are vital to supporting Navy's mission. The Navy Comptroller's role in implementing this statute is to develop a budget strategy consistent with the congressional direction, to ensure the implementation and execution of this authority is done in accordance with the law, and to ensure appropriate financial and accounting methods are in place to support this program. If confirmed, I will ensure the Department's budget strategy and policies are in accordance with the law.

How would you intend to enable the laboratory director's discretion over such funding to support its effective implementation, similar to the Department of Energy model?

Answer: At this point, I do not have the necessary familiarity with the Department of Energy model, but if confirmed, I will work with the Assistant Secretary of the Navy (Research, Development and Acquisition) and the Office of the Secretary of Defense (Comptroller) to ensure effective and successful implementation.

Budgeting to Address Operational Needs and Technological Opportunities

The Services often are often faced with situations in which an urgent operational need or a new technological opportunity arises on a timeline that is inconsistent with the relatively slow budgeting and programming process.

How should the Navy change its processes so that its budgeting, programming, and planning processes are more adaptable to emerging operational needs and technological opportunities?

Answer: At this point, I do not have the necessary familiarity with current processes to answer this question, but if confirmed, I will review all current processes to see if there are adjustments to be made that make us more adaptable to emerging operational needs and technological opportunities.

In-kind Military Construction

The committee released a report on April 15, 2013, titled “Inquiry into U.S. Costs and Allied Contributions to Support the U.S. Military Presence Overseas.” Among other things, the committee’s inquiry found that in-kind payments from Germany, South Korea, and Japan have been used to fund questionable military construction projects. The Committee’s version of the National Defense Authorization Act for Fiscal Year 2014 includes a provision (section 2801) that would require that future military construction projects funded using in-kind payments pursuant to bilateral agreements with partner nations be submitted for congressional authorization in the Military Construction Authorization Act.

If confirmed, how would you ensure that in-kind payments are utilized only for identified U.S. priorities to offset costs that the Department of the Navy would otherwise pay with appropriated funds?

Answer: At this point, I do not have a complete understanding of the prevalence of this method of funding nor the specific details of its prior use within the Department of the Navy. Upon receipt of this question, I reviewed the Navy-specific sections in the referenced report. If confirmed, I will ensure that gaining an understanding this practice will become one of my immediate short-term priorities and that my understanding is placed in the context of other legal authorities and constraints.

Congressional Oversight

In order to exercise its legislative and oversight responsibilities, it is important that this Committee and other appropriate committees of the Congress are able to receive testimony, briefings, and other communications of information.

Do you agree, if confirmed for this high position, to appear before this Committee and other appropriate committees of the Congress?

Answer: Yes, I agree.

Do you agree, if confirmed, to appear before this Committee, or designated members of this Committee, and provide information, subject to appropriate and necessary security protection, with respect to your responsibilities as the Assistant Secretary of the Navy (Financial Management and Comptroller)?

Answer: Yes, I agree.

Do you agree to ensure that testimony, briefings and other communications of information are provided to this Committee and its staff and other appropriate Committees?

Answer: Yes, I agree.

Do you agree to provide documents, including copies of electronic forms of communication, in a timely manner when requested by a duly constituted Committee, or to consult with the Committee regarding the basis for any good faith delay or denial in providing such documents?

Answer: Yes, I agree.