

Advance Policy Questions for John Conger
Nominee to be Principal Deputy Under Secretary of Defense (Comptroller)

Relationships

What is your understanding of the relationship between the Principal Deputy Under Secretary of Defense (Comptroller) and each of the following?

The Secretary of Defense

The Under Secretary of Defense (Comptroller) is the principal assistant and advisor to the Secretary on fiscal and budgetary matters. If confirmed, as the Comptroller's principal assistant, I will support the Secretary in the entire range of responsibilities of the Comptroller that the Secretary may require.

The Deputy Secretary of Defense

My relationship with the Deputy Secretary of Defense will be based on the same role as described above. I have worked closely with the Deputy Secretary on installations and environmental issues and I would expect to have a similar relationship as Principal Deputy Under Secretary of Defense (Comptroller). If confirmed, I would support the Deputy Secretary in any matter within the purview of the Comptroller that the Deputy Secretary may prescribe.

The Under Secretary of Defense (Comptroller)

The Principal Deputy Under Secretary of Defense (Comptroller) is the primary assistant and advisor to the Comptroller. If confirmed, I will do everything I can to help manage the Comptroller organization and represent the Comptroller when called upon to do so.

The other Under Secretaries of Defense

If confirmed, I will continue to work closely with the Under Secretaries, to carry out the policies and guidance of the Secretary and Deputy Secretary.

The Chairman of the Joint Chiefs of Staff

The Chairman of the Joint Chiefs of Staff is the principal military advisor to the President, the National Security Council, and the Secretary of Defense. If confirmed, I will work closely with the Chairman and Vice Chairman of the Joint Chiefs of Staff, both directly and more frequently through their Director for Force Structure, Resources, and Assessment on any matter pertaining to resourcing our forces and military operations and financial management.

The Secretaries of the Military Departments

If confirmed, I will work closely with the Secretaries of the Military Departments on the entire range of resource allocation, budget execution, and other financial management issues. More frequently, I will work through the Military Department Assistant Secretaries for Financial Management. I will ensure that they are aware of the President's and the Secretary of Defense's policies and priorities and assist them in implementing Departmental policies and programs as they may relate to their specific Services.

The heads of the defense agencies

If confirmed, I will continue to work closely with the heads of the defense agencies in any matter pertaining to resources and financial management. I will ensure that they are aware of the President's and the Secretary of Defense's policies and priorities and assist them in implementing Departmental policies and programs as they may relate to the specific agency.

The Assistant Secretaries for Financial Management of the Military Departments

The Department's Comptroller and I will work very closely with the Assistant Secretaries for Financial Management of the military departments in the development and execution of budgetary matters, fiscal policy, and initiatives of the President and the Secretary of Defense. If confirmed, I will work closely with the Assistant Secretaries in contributing to the successful development and implementation of effective DoD policies and programs and management of the defense budget.

The General Counsel of the Department of Defense

The Office of the Under Secretary of Defense (Comptroller) works closely with the Department's Office of the General Counsel on a daily basis. I will, if confirmed, consult and coordinate with the General Counsel on all legal matters, and specifically, matters related to fiscal and budgetary issues that may have legal implications.

The Director, Office of Cost Assessment and Program Evaluation

The Comptroller and Director of the Office of Cost Assessment and Program Evaluations are partners in managing the annual Program/Budget Review process and developing the budget and accompanying Future Year Defense Program that supports the National Security Strategy. If confirmed, I will coordinate and work closely with the Director in meeting his or her duties and in providing advice, assessments, and options to the Secretary or Deputy Secretary.

The Deputy Chief Management Officer

If confirmed, I will continue to work to improve the management of the Department's complex operations and organization. In particular, I will work with the Deputy Chief Management Officer on developing and implementing the Secretary's reform agenda as well as improving the systems that provide management information, particularly financial management information, and the development of appropriate metrics in those areas.

The Director for Force Structure, Resources, and Assessment on the Joint Staff

If confirmed, I will work with the Director for Force Structure, Resources, and Assessment on the Joint Staff in the management of the Program Budget Review process and all other matters relating to resourcing our forces and military operations.

The Director, Office of Management and Budget

If confirmed, I will assist the Comptroller in managing the near near-daily interaction with the Office of Management and Budget on the preparation and execution of the Department's budgets, and the advancement of both the Administration's and the Department's management priorities.

The Comptroller General

If confirmed, I will continue to review the recommendations of the Comptroller General and the Government Accountability Office regarding DoD financial matters and, as required, support actions to improve the Department's processes.

Duties of the Principal Deputy Under Secretary of Defense (Comptroller)

The Principal Deputy Under Secretary of Defense (Comptroller) assists the Under Secretary of Defense (Comptroller) in the performance of his or her duties and acts for him when the Under Secretary is absent. The duties of the Comptroller of the Department of Defense are set forth in Section 135 of Title 10, United States Code, and in DOD Directive 5118.3. Among the duties prescribed in statute are advising and assisting the Secretary of Defense in supervising and directing the preparation of budget estimates of the Department of Defense, establishing and supervising Department of Defense accounting policies, and supervising the expenditure of Department of Defense funds.

What background and experience do you possess that qualifies you to perform the duties of the Principal Deputy Under Secretary of Defense (Comptroller)?

I have more than 20 years of experience working on national security issues, both as a congressional staffer and in senior Pentagon positions. In each of these roles, I have

worked to shape the defense budget, and each has provided valuable experience that I will leverage, if confirmed, to assist the USD(Comptroller) in developing and managing that budget.

I spent most of my time as a congressional staffer working for a senior member of the House Appropriations and Budget Committees, where I not only developed a deep understanding of the congressional processes used to construct the annual budget and appropriations bills, but the underlying defense policies we were trying to affect, from military construction to quality of life to acquisition programs.

As a senior leader in the Pentagon for most of the last 6 years, I have overseen the DoD's \$850 billion real property portfolio of more than 500 installations (encompassing 500,000 buildings and structures) and the roughly \$40 billion annual budget for military construction, family housing, facilities sustainment, base operations, environment, and energy programs. In this role I have directly managed an organization of about 200 civilian, military and contractor employees, and an annual program budget of approximately \$400 million.

Moreover, in my role as Senior Real Property Official for DoD, I oversee the audit readiness efforts the Services and Agencies undertake to assert existence and completeness for real property and our work to achieve proper valuation of our real property assets and environmental liabilities. I participate in the DoD's Financial Improvement and Audit Readiness (FIAR) meetings chaired by the USD (Comptroller) and the Deputy Chief Management Officer, and I chair my own Functional Business Governance Board that I use to drive the use of standards and monitor progress toward auditability.

Describe how the Office of the Secretary of Defense for Comptroller should prioritize both its comptroller and financial management duties.

The comptroller and the financial management duties are complementary priorities – two parts of a whole. I will assist the Comptroller in advising and assisting the Secretary in the preparation of the budget and will also assist the Comptroller in executing his fiduciary responsibility to supervise the execution of the funds enacted by Congress.

Describe your knowledge of accounting and financial management principles and how you have applied this knowledge in previous positions.

I am not an accountant by education and training but in my current capacity, I have worked closely with Comptroller personnel and have acquired a working knowledge in the practical application of accounting and auditing standards as they apply to my functional responsibilities for installations and environment. I am a firm believer that our financial stewardship responsibilities involve all of the functional business areas. If

confirmed, I intend to continue my practical education and encourage my peers to do the same.

In addition, in my experience as a congressional staffer and as a senior manager in the DoD, I have become intimately familiar with the account structure, processes, and rules associated with the DoD budget, its associated appropriations and individual line items.

In my Pentagon role, I have been a resource manager for approximately \$400 million in annual spending and provided oversight for \$40 billion in accounts covering military construction, family housing, facilities sustainment, base operations, environment, and energy programs.

In each of these roles, I had the responsibility to review investment priorities, identify offsets for higher priority actions, and make recommendations to my leadership based on financial and accounting information as well as other factors.

Do the indirect relationships between the DOD CFO and the service CFOs hinder the ability to effectively direct and coordinate efforts to improve financial management in the Department of Defense?

I do not believe so. There are indirect relationships across multiple DoD portfolios between OSD principals and their Service counterparts – not just financial management. Ultimately, the authority vested in the Secretary of Defense and the Deputy Secretary of Defense gives the Department the appropriate ability to provide direction and policy guidance to the Services. This principle applies as much to improving financial management as to other aspects of managing the Department.

Do you believe the structure of the dual hatted Comptroller/CFO position allows for the appropriate level of attention to both functions?

I do. Moreover, budget and execution are closely related, especially when resources—whether slated for the future or current—are limited. Knowledge of one supports the other, both prospectively and retrospectively. The synergistic relationship between the two enhances management and oversight by the Under Secretary over each of these two functions.

Defense Budget

Given the growing strategic threats the United States faces with respect to a resurgent Russia, North Korean cyberattacks, and the rise of the Islamic State, how does the current level of defense spending adequately confront these challenges?

The FY 2016 budget request provides for the necessary resources to execute the nation's defense strategy with manageable risk and was developed with the identified challenges in mind, though as Secretary Carter testified earlier this year, it requires us to accept elevated risk in some areas. I have seen that in the installations portfolio as we accept lower funding in facilities sustainment, ultimately pushing larger repair bills into the future.

Ultimately, this budget balances the need to maintain a ready force to confront today's challenges with the need to ensure we can continue to meet challenges into the future. While readiness must take top priority, we must ensure the Department's investment accounts are funded to sustain, recapitalize, and improve our capabilities, so we can meet future challenges.

Major Challenges

In your view, what are the major challenges confronting the Principal Deputy Under Secretary of Defense (Comptroller)/Chief Financial Officer?

The USD(Comptroller)'s ongoing challenge – and therefore the PDUSD's as well – is to develop credible, defensible defense budgets that balance multiple priorities and requirements, ensuring our ability to meet the challenges posed by current threats while investing in our future capabilities so we can continue to meet the Nation's security needs into the future. These resource decisions directly impact the ability of our Armed Forces to continue to fulfill their missions.

At the same time, the USD(Comptroller) has a critical role in providing the justification to Congress why these funds are critical to meeting our strategy, and why the Budget Control Act spending levels are insufficient. This office has the unique capability and responsibility to associate resource decisions with their real world impacts to better inform Congress as it deliberates.

The next 2 years will also be pivotal as the Department strives to achieve audit readiness by 2017. The Comptroller and his Principal Deputy have indispensable leadership roles in both helping the Department to meet this goal and driving them to prioritize it. I recognize the importance of this effort in achieving the credibility necessary to secure the increased resource levels referenced above.

Lastly, we need to build the financial management workforce of the future. I am familiar with the substantial amount of effort that has gone into building a training program for the financial workforce, and I recognize continued momentum will take effort. This is particularly important as the Department strives toward auditability, recognizing that will need to be a sustained effort, not simply a dash toward 2017.

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

This is a team effort. If confirmed, I will work closely with other senior officials in DoD, our Comptroller staff, the Military Departments and Defense agencies, the Office of Management and Budget, and Congress to develop policies to meet these challenges.

I will also provide my commitment, leadership, and support to our staff in the immediate office of the Comptroller, the Defense Finance and Accounting Service, and the Defense Contract Audit Agency in meeting these priorities.

I will ensure that we maintain our progress on the centerpiece of our financial management improvement efforts, which is achieving auditable financial statements.

In building the workforce of the future, we need to maintain and enhance the quality of our financial management workforce. It is important to continue the commitment made in implementing the course-based certification program for Defense financial managers that was authorized by Congress in the National Defense Authorization Act for FY 2012.

Financial Management

What is your understanding and assessment of the efforts and progress that have been made in DOD since 1999 toward the goal of being able to produce a clean audit?

DoD has made significant progress in the last 6 years towards achieving auditable financial statements. Since 2009, the Department has established a clear set of priorities that have translated this important initiative into an enterprise-wide effort, involving all functional communities with strong senior leader support. However, the size, scope, and complexity of the Defense Enterprise continue to pose challenges. Now, there is an increased understanding of what is required and a commitment to succeed.

I understand there is a substantial amount of work ongoing, including efforts to address some of the most challenging problems. Under the leadership of Mike McCord, the current Comptroller, the Department is already executing an updated strategy to achieve auditable statements on its Statement of Budgetary Resources through audits of successive Schedules of Budgetary Activity.

As you know, audit requirements involve far more than budget information, and I have been watching efforts on real property more closely than others. Existence and completeness of our real property inventory is a requirement for audit, for example. In this area, inventories and controls are significantly stronger than they once were, but there is schedule risk. The Navy, for example, will only assert for existence and completeness in 2016, which leaves little margin for any schedule slips that may happen due to unforeseen circumstances.

In your view, what are the main impediments within the Department that prevent it from achieving the 2010 National Defense Authorization Act goal of ensuring the financial statements of the Department of Defense are validated as ready for audit by not later than September 30, 2017?

In my view, the main impediments involve change management. We are trying to review and transform where necessary, long standing business processes that have been supporting our missions for many years, but are NOT always sufficient to meet financial audit requirements. In some cases, we have also implemented modern, more compliant systems to facilitate the necessary changes while also helping to sustain them. Changing a huge, global enterprise in a resource constrained, dynamic national security environment is a truly daunting task. But the Department is committed to making these changes and becoming ready for audit. If confirmed, I'm prepared to continue to be a part of leading this change.

What is your understanding and assessment of the recent withdrawal of the Marine Corps' fiscal year 2012 clean audit opinion for its Statement of Budgetary Resources? In your view, what are the implications of this withdrawal of the opinion for the Department of Defense?

My understanding of the withdrawal of the Marine Corps 2012 Opinion is that it occurred because of an audit finding that occurred while the Marine Corps' auditors were completing their work. Because they were working under contractual and time constraints and didn't have time to determine the actual impact on their opinion, there was no practical way for them to investigate the issue before they had to close out their work. The OIG - who issued the opinion for FY 2012 and who administers the Marine Corps audit contract - were also concerned that the uncertainty that this situation created required them to withdraw their opinion. Until there is a more thorough review, we will not know the full implications.

While I recognize this is discouraging for a Marine Corps team that has been such a leader in the Department on audit readiness, it represents great value for the Department if we apply the lessons we learn here to the larger audits in advance.

What role do you expect to play, if confirmed, in the Department's efforts to achieve a clean audit opinion?

If confirmed, I will work with Under Secretary Mike McCord and other senior leaders in the Department to champion DoD's efforts at becoming audit ready and eventually achieving a clean audit opinion. "Championing" can take many forms, including change management, attaining resources, and--most certainly--promoting and sustaining this as a high priority for the Department.

How will your efforts differ, if any, from previous initiatives that have been unsuccessful?

My efforts will be in support of our current game plan that, as I mentioned before, is producing positive results. Previous efforts were not successful because they lacked senior leadership support and were limited to a narrow functional group. That has changed. If confirmed, I will be joining the Comptroller team at a good time as we are turning our attention to the balance sheet—assets and liabilities. My work on existence and completeness of real property and environmental liabilities should allow me to immediately contribute to this initiative.

What is your assessment of the resources and time that will be required by the Department of Defense to achieve independent audit readiness, to obtain a modified adverse or qualified opinion, and to obtain an unmodified “clean” opinion?

My assessment is that achieving audit readiness by the currently required statutory date is a very ambitious goal that will likely require some amount of additional resources. The experience of non-defense, cabinet level agencies that have successfully followed this path indicates that it requires an incremental investment to get ready for, and actually support this new kind of audit. Despite the cost, this investment represents a necessary, positive change.

Once we begin, this audit regimen will continue each year, and based on other agencies (e.g., Homeland Security), it will take a number of years to actually begin to achieve positive audit opinions. Getting into audit is critical though and we are just beginning that process in the largest parts of DoD. The budgetary, manpower, and systemic resources DoD commits toward audit must be appropriate and, most importantly, sustained, in order to sustain the positive progress needed to achieve and then maintain a clean opinion.

What incentives or authorities do you think would help the Services and Defense Agencies to prioritize activities that would accelerate the process of achieving a “clean” opinion?

I believe the Military Departments and Defense Agencies currently have the needed incentives and authorities to achieve a clean audit opinion. However, managing audit preparations alongside other competing mission requirements has and always will be a challenge, given scarce resources. I also do not know that accelerating preparations or audits will yield better results. The Services already have audits underway and I understand that the Fourth Estate is accelerating its preparatory timelines. I think that providing budget stability and sustained, constructive oversight will help us maintain focus on this important goal.

GAO High Risk List

What is your understanding and assessment of the Government Accountability Office's (GAO) placement of Defense Financial Management on its "High Risk List" since 1995?

Given the Department's size, complexity, and lack of auditable financial statements, the GAO's consistent placement of DoD Financial Management on its High Risk List is fair. Without passing an audit, one cannot know for certain that Defense decisions are made based on timely and accurate data, and that appropriate controls are in place to prevent fraud, waste and abuse of resources.

The GAO's most recent report indicates that while leadership commitment, capacity, and our action plan objectives are partially met, the DoD has yet to show demonstrated progress and an ability to monitor that progress. These things, among others, prevent the Department from getting off the High Risk List. These kinds of constructive criticism from the GAO have proven useful in setting FIAR strategy, seeking resources, and implementing audit enablers, such as enterprise resource planning systems.

If confirmed, how will you work to have DOD Financial Management removed from the High Risk List?

The GAO has a prescribed process for removing a subject from the High Risk List that involves satisfying them on five criteria. Given GAO's assessment on the Department's Leadership Commitment, Capacity, and Action Plan, the way to convince GAO to remove DoD Financial Management from the High Risk List appears to be to Demonstrate Progress and an ability to Monitor that progress. We are certainly on the verge of demonstrating progress as part of our audit readiness efforts, and it would seem that removal from the High Risk List will happen naturally as the audit readiness effort proceeds.

In addition to Defense Financial Management, the GAO identifies Defense Contract Management, Supply Chain Management, and other areas where the obligation and tracking of taxpayer dollars is also "High Risk". Why do you believe the GAO consistently finds problems with DOD in these areas involving the spending of taxpayer dollars?

In my judgment, each of these functional areas reflects a culture that is mission oriented and often focuses on results without adequately linking those results to costs and process controls. Our size, our de-centralized organizational construct and functionally stove-piped, non-standard way of doing business result in weaknesses in processes that result in problems that are often highlighted in audits. Frequent turnover of personnel only perpetuates these problems. I can point to changes in systems and processes, as well as

initiatives such as FIAR that are beginning to address the root cause of some of these problems. I'm encouraged that GAO's last report highlighted some of these changes and provided us credit for them, while also pointing out that we have much more work to do.

Chief Management Officer

What is your understanding and assessment of the Chief Management Officer and Deputy Chief Management Officer's past efforts to improve the business operations of the Department of Defense?

The Department formally established the DCMO on October 17, 2008 with the responsibility to better synchronize, integrate, and coordinate the business operations of DoD. Additionally, the Department gave the DCMO specific duties in strategic planning, performance management, process improvement, and defense business systems oversight. Since that time, the DCMO's responsibilities have continued to grow.

Most recently, on December 4, 2013, former Secretary of Defense Chuck Hagel announced an organizational review that directed the strengthening of the DCMO to better coordinate and integrate DoD's business affairs by creating a leadership focused on management concerns and creating a single management, business oversight, and administrative organization within OSD and across DoD. This was done by realigning the Director of Administration and Management (DA&M) and its components under the DCMO, and realigning the oversight of business systems from DCMO to the DoD CIO. The new DCMO is focused on four activities: management, policy, and analysis; administration; planning, performance, and integration; and compliance and open government. The DCMO reorganization, with its refocused mission, was completed on October 1, 2014.

I believe the current DCMO is properly organized, with the right authorities, to continue to improve the management and business operations of the DoD.

Are there responsibilities performed by the Comptroller that you believe should be reassigned to the Chief Management Officer or the Deputy Chief Management Officer of the Department of Defense?

To the best of my knowledge, I am not aware of any responsibilities that should be realigned from Comptroller to the Chief Management Officer or the Deputy Chief Management Officer. If confirmed, I will reassess the duties and responsibilities assigned to both offices and will offer my advice to the Comptroller.

Are there responsibilities performed by the Chief Management Officer that you believe should be performed by the Comptroller?

To the best of my knowledge, I am not aware of any responsibilities that should be realigned from the Chief Management Officer to the Comptroller. If confirmed, I will reassess the duties and responsibilities assigned to both offices and will offer my advice to the Comptroller.

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

I believe the Department has an obligation to follow the law, to include fiscal law that governs authority to spend funds.

Funding for Military Operations

As long ago as 1995, the Department of Defense has paid for the cost of ongoing military operations through supplemental appropriations. Current law requires that DOD include in its annual budget submission a request for those incremental increased costs associated with ongoing military operations, now called Overseas Contingency Operations (OCO).

What is your understanding and assessment of the history, current, and future use of OCO appropriations to fund the cost of ongoing military operations?

The key is providing sufficient resources to support our deployed troops. The use of the Overseas Contingency Operations (OCO) budget has successfully funded operations since FY 2010. The amount requested in the OCO budget has decreased significantly. Given the uncertainty of the current world situation, it is important that we retain some budget flexibility to deal with emergent needs and that we be cautious about prematurely eliminating OCO funding. If confirmed, I would look forward to working with the oversight committees to review the use of a separate OCO budget or whether other funding mechanisms could be utilized. If confirmed, I will ensure that the leadership is aware of all statutory requirements to include the OCO funding levels for FY 2016 and FY 2017 included in the Bipartisan Budget Act of 2015

Uniformed leaders in DOD have testified to Congress that constraints and limitations on the execution of OCO appropriations make it difficult to exercise necessary flexibility when needed to meet a wider than operations range of military requirements.

What is your understanding and assessment of the statutory and regulatory constraints or limitations on the execution of OCO appropriations?

I am not aware of any unreasonable statutory or regulatory limitations on the use of OCO funds. If confirmed, I will make a point to work with the uniformed leadership to identify major impediments and challenges in executing OCO funds and ensure that we have adequate funding tools to continue supporting our warfighters.

If confirmed, what changes, if any, would you propose to law, policy, or regulation that govern the execution of OCO?

I am not in an informed position to recommend changes. If confirmed, I will review the current body of law, policy and regulations governing the execution of OCO funds and seek improvement as necessary.

Tracking and Timeliness of DOD Reports

The responsibility for tracking Congressionally-required reports largely is the responsibility of the Under Secretary of Defense (Comptroller).

Based on your experience in both the legislative and executive branches, how do you evaluate DOD's current system for tracking and evaluating the sufficiency of reports required by Congress, and delivering required reports in a timely fashion?

During my time in the Pentagon, I have worked closely with the Office of the Assistant Secretary of Defense for Legislative Affairs to identify and track reporting requirements. The established system works well and in my experience, the requirements are accurately captured, assigned and tracked. Coordination on sufficiency always includes a review by the Office of General Counsel to ensure we are meeting the requirements in law.

I believe the Department makes every effort to prepare congressional reports in a timely manner. Often reports request data that require unique data gathering processes that make it difficult to meet the established deadline. There is always room for improvement and if confirmed, I will work to ensure the reports assigned to the Comptroller's office are timely and responsive.

If confirmed, would you support efforts on behalf of the Department to review current reporting requirements and, where appropriate, recommend elimination of reporting requirements?

Yes

If so, how would you intend to implement such a plan in order to achieve efficiencies?

Secretary Carter has already challenged the Department to seek reform proposals and efficiencies in all our business processes. A review of current congressional reporting requirements falls within that direction. If confirmed, I would work with my colleagues across the Department, particularly the Assistant Secretary of Defense for Legislative Affairs, to identify reports that may no longer be needed and work with the oversight committees to eliminate those reports that no longer serve any purpose.

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?

Yes.

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 Principal Deputy Under Secretary of Defense (Comptroller)?

Yes.

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?

Yes.

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 of any good faith delay or denial in providing such documents?

Yes.