



TRANSITION TOPIC:

Rethinking the Role of the Comptroller

TASK: Assess how the Comptroller functions in the Department of Defense, and then contrast it with how global business uses its Chief Financial Officers

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Report Documentation Page

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ISSUE:

- The Comptroller should have a mandated and leading role in all financial matters affecting DoD.

IMPORTANCE:

- While spending on Defense as a percentage of GDP continues to decline, the overall size and scope of the DoD budget, to include successive supplementals, has shown a steady increase.
- DoD is at the center of financing support to critically important allies and coalition partners in the global war on terror.
 - Increase in Title 1206 programs (Train and Equip Foreign Military Forces), which involve complex financial negotiations and increased base expansion agreements



DISCUSSION:

- 1. In the business world, the Chief Financial Officer (CFO) is far more important than the Comptroller.**
 - a. The CFO is often the third most important person in a firm after the CEO and COO.
 - b. The CFO manages cash, manages changes of dollar allocations to different accounts depending on "burn rates."
 - c. Traditionally, in DOD the role of the comptroller was more important than that of chief financial officer, with the sole objective of getting a budget through Congress.
 - d. The comptroller lays out a budget, but that is in effect a target.
 - e. Currently, any changes in spending patterns (i.e. reprogramming) need prior approval, and are capped at \$4 billion--less than 0.75% of the entire budget. In the corporate world, the CFO has discretion to move some 10 per cent of funds around.
 - f. Some firms have the CFO look after HR issues as well.
- 2. In the past DoD worried less about transparency and accuracy of financial statements.**
 - a. Congress, and the GAO, have pressed for greater transparency both for good governance and financial management reasons.
 - b. There has been only one execution review a year (in the spring).
- 3. Because of the importance of the Congressional approvals, Comptrollers have been drawn from people with Hill experience, often with experience on the Appropriations Committee.**
- 4. As a result, Comptrollers often have little understanding of, or interest in, financial management---including the production of meaningful financial statements, and clean audits, as well as management and rationalization of financial systems.**



Comparing Roles

Corporate CFO

- 3rd most important in firm (after CEO and COO)
- Manages cash and changes of dollar allocations
- Has discretion to move 10% of funds around
- Considers projections in reviews

OSD Comptroller

- Comptroller more important than CFO
- Lays out a budget – objective of getting it through Congress
- Changes in spending patterns (i.e. reprogramming) need prior approval
- Projections not adequately considered



RECOMMENDATIONS:

- 1. Rename the position: “Under Secretary of Defense (Chief Financial Officer and Comptroller) – USD(CFO&C)”**
- 2. The USD(CFO&C) should be drawn from the Financial world.**
 - a. The key skill-set required is global financial management experience
 - b. Financial management is critical for the efficient and credible management of expenditures
 - c. Some background on the Hill would be useful, but not critical
 - d. A strong Principal Deputy, well-versed in Congressional matters can be the essential compliment for any lack of Hill experience
- 3. The USD(CFO&C) should conduct two (February and June) annual execution reviews vice one – include projections in reviews**
- 4. Globalize the USD(CFO&C) responsibilities to include all DoD-related international financial negotiations**
 - a. Restore the International Branch to the Office of the Comptroller