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

TASK GROUP:

Dov Zakheim (Chair)	Howard Cox	Mel Immergut
Bill Phillips	Pierre Chao	

Col Dale Marks (Executive Secretary)

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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