

Statement of
Sandra A. Gregory
Special Assistant
to the Under Secretary of Defense (Comptroller)

before the
House Armed Services Committee
Defense Financial Management and
Auditability Reform Panel

October 6, 2011

Embargoed until released
by the House Armed Services Committee

Chairman Conaway, Ranking Member Andrews, Members of the Panel, thank you for the opportunity to testify today concerning the Department of Defense (DoD) financial management workforce and our ongoing efforts to achieve audit readiness.

Introduction

You have already received testimony on the Department's key goals for defense financial management and issues being pursued to meet those goals. Today we would like to tell you about ongoing efforts with regards to the financial management workforce, as they relate to improvement of financial information, improved analytics, decision support, and achievement of auditable financial statements. It is essentially a matter of getting and retaining the right people with the right skills, in the right jobs, at the right time. As Mr. Hale, the Under Secretary of Defense (Comptroller) stated in his testimony to this panel in July of this year: To be successful, the defense financial management community must achieve three broad goals:

- Acquire the resources necessary to meet national security objectives.
- Ensure the legal, effective, and efficient use of those resources.
- **Maintain a capable financial management workforce.**

This third goal is the focus of our testimony today, to discuss the collaborative effort across the Department to maintain a capable financial management workforce, with an emphasis on how this effort assists the Department in achieving audit readiness.

Where We Are Today

First and foremost, we rely on the support of a dedicated and skilled professional workforce of approximately 60,000 financial managers, both civilian and military, who provide our warfighters with the resources and financial services they need to meet national security objectives. We believe the DoD financial management community is generally meeting the financial needs of our warfighters. They are accomplishing this key goal despite some daunting obstacles -- financing a war, completing the military mission in Iraq, supporting operations in Libya, responding to natural disasters around the globe, and maintaining a military that can meet future national security requirements. All of these challenges are made much more difficult by late appropriations and especially the lengthy continuing resolution that we experienced in FY 2011.

As the functional community manager for the DoD financial management community, my responsibilities include: designing and conducting reviews related to the financial management community; analyzing current and projected mission

requirements; assessing competencies of the community members; and developing and implementing strategies to address identified workforce and competency gaps -- all in compliance with Congress' directed establishment of the DoD Strategic Workforce Plan. That plan is part of the overarching DoD Civilian Strategic Human Capital Plan (CSHCP), which is championed at the Department level by the Under Secretary of Defense (Personnel and Readiness).

As the financial management community continues to participate in the evolution of the DoD, we must optimize our greatest asset – our people. Financial management functions are becoming more streamlined, professional, consolidated, and automated in the transition from transaction-based processors to decision-based information managers. The resulting ability of financial management professionals to serve as valued business advisors and leaders requires a workforce with the right skills at the right jobs at the right time. Currently the financial management community lacks a DoD framework that provides enterprise-wide roadmaps on what training is most important at various points throughout federal careers.

To meet the needs for future generations we know we must implement new work cultures to attract and retain members of the upcoming workforce. In support of workforce needs the Under Secretary of Defense (Comptroller) supported a Fiscal Year (FY) 2010 Challenge Fund to solicit innovative ideas from the workforce. One of the Challenge Fund projects included the first e-catalog of DoD Financial Management Courses in a new website called FM myLearn. Additionally, the Challenge Fund supported a new on-line DoD fiscal law course which will be added to FM myLearn, and our Financial Workforce Management Office launched an FM Online website to provide a one-stop online resource for all DoD financial managers. This move toward more transparency in professional development opportunities is also linked to workforce assessments.

We must conduct research and build plans now to highlight the impacts of recruitment, retention, and professional development, as well as the need for strategic workforce planning. All are complicated by the current civilian pay freeze and limited resources for incentives.

Meaningful workforce planning analysis depends on accurate forecasting of manpower and competency requirements (demand) and assessing the sufficiency of the current and projected workforce against these requirements (supply). The Department has a robust authoritative source for current and historical workforce data in the Defense Civilian Personnel Data System (DCPDS). However, the process and enterprise tools for documenting future manpower requirements, forecasting hiring

needs, and assessing workforce competencies are evolving and pose a challenge to reliable planning.

We know that the defense financial management community maintains many effective financial processes and reasonable financial controls in many key areas, especially with regard to control of appropriations. There are, however, some significant areas where DoD needs to improve, including the need for better and more readily available financial information. The defense financial management community, in concert with the other DoD communities, must take the lead in improving financial information and processes toward achieving audit readiness.

We realize the need to continue to strengthen the professional development of the defense financial workforce. We believe that most defense financial managers are well trained. But the community lacks DoD enterprise-wide roadmaps that guide them throughout their federal careers. To remedy this shortcoming, we are taking steps to establish a course-based certification program for defense financial managers that will provide a framework. This certification program will allow us to focus on critical areas: achieving Department-wide auditability, decreasing Anti-Deficiency Act (ADA) violations, increasing internal controls, sharpening analytics in the context of supporting Enterprise Resource Planning (ERP) systems, shrinking improper payments, and increasing overall accountability. The proposed DoD Financial Management Certification Program will be similar to the program for the defense acquisition workforce.

Legal Authority

Both the House and Senate Armed Services committee have provided needed legal authority in their authorization bills. Section 1061 of the National Defense Authorization Act (NDAA) for FY 2012, Report 112-78 Committee on Armed Services House of Representatives, recognizes the establishment of a financial management certification program for the DoD. The committee concurs with the Department's need to develop capable financial managers who understand the advanced fiscal concepts involved with the management of the United States' scarce monetary resources. The committee notes that this program should help facilitate the Department's ability to achieve audit readiness.

The proposed NDAA language further states that for this new initiative to be successful, and to further the efficiency initiatives within the Department, multiple training development programs will need to be consolidated to effectively train the financial management community, while considering service and agency unique requirements. Incorporating these multiple tracks into a single defense-wide development strategy ensures that the Department can develop the most capable

financial management cadre for fiscal success. This initiative will not only serve the Department's efforts to achieve auditable financial statements, but also to ensure that senior DoD managers have timely, accurate information on which to make business decisions. In support of the FY 2012 NDAA HASC and SASC language, the financial management enterprise-level competencies are being used as the foundational framework for the new DoD Financial Management Certification Program – a program aimed to move the financial management workforce toward more analytic orientation and to ensure the financial management workforce has the knowledge necessary to achieve auditable financial statements. The DoD Financial Management Certification Program is one of the implementing strategies to close the gap between the competencies required by the financial management workforce and current capabilities. Our ongoing effort has five primary areas of focus:

1 - Map Existing DoD Courses to Competencies -

The DoD Financial Management Certification Program is based on the financial management enterprise-wide competencies. The DoD portfolio of financial management training and professional development courses is aligned with these competencies. One of the goals of the DoD Financial Management Certification Program is to build a standard body of DoD financial management knowledge and elevate and standardize competency in analytics, decision support, and audit readiness across the enterprise workforce. It is the Department's intent to support this certification program using existing DoD financial management courses as part of the framework.

2 - Test-Based Certification -

The NDAA for FY 2002 -- Public Law 107-107, enacted Title 5, United States Code, section 5757 -- provided DoD with the authority to pay for and support professional certification and credential standards that are directly related to the mission of the organization. Achieving professional certification has many benefits. Individuals improve their potential for personal upward mobility; organizations enhance their ability to meet their strategic financial management initiatives and objectives; and the DoD benefits by the increased analytic capability of the financial management workforce and its ability to produce auditable financial statements for the Department.

The DoD Financial Management Certification Program places additional emphasis on achieving financial management test-based certifications. The Department has identified 20 professional test-based certifications for financial management personnel and will reimburse personnel, if funding is available, for related expenses to achieve certification. The test-based professional certifications (granted by outside, non-government agencies) include such areas as, accounting, auditing, cost, and financial management.

3 - Range of Experience -

A key component of this new initiative is incorporating diversified professional development experiences at various points in an employee's career. The certification program will require not only specific DoD financial management experience at different levels, but also will require developmental assignment type experience in different financial management disciplines (e.g., an assignment in accounting for someone with a record of budget assignments), or experience in a field related to financial management, such as logistics or contracting.

4 - Communications and Marketing -

The DoD Financial Management Certification Program is a new program and participation is expected to be mandatory for all members of the DoD financial management workforce. An aggressive and comprehensive communications and marketing campaign in terms of briefings, web-based articles, and marketing material is crucial to inform and educate the workforce prior to and during implementation.

5 - Certification Program Support -

Active management support to administer the DoD Financial Management Certification Program includes program control, compliance, review and reporting of metrics. Oversight personnel will be required at the headquarters level for the OUSD(C); Departments of the Army, Navy and Air Force; Defense Finance and Accounting Services (DFAS); and Defense Contract Audit Agency (DCAA). Additionally, governance of the DoD certification program requires a reliable Learning Management System to record and document achievement of certification standards.

Collaborative effort

This initiative and DoD's primary areas of focus were shaped by the collaborative efforts of senior leaders in the Under Secretary of Defense (Comptroller) organization and the Military Departments and Defense Agencies, working closely with the Department's human resources experts in Under Secretary of Defense (Personnel and Readiness) and Congressional staffs. The Deputy Assistant Secretary of Defense (Civilian Personnel Policy) believes that the DoD Financial Management Certification Program fully supports the requirements of the DoD Civilian Strategic Human Capital Plan and provides a firm bedrock for financial management career growth.

What the Future Holds

The Department is waiting on the pending FY 2012 NDAA law; however, in the interim, the Department continues to move forward. First, we are mapping the financial management competencies to one or more of the DoD financial management courses. By the summer of 2012, we will code financial management positions to required

certification levels -- level 1, 2, or 3. The Department will later develop competency assessment tools to assess the proficiency of our current workforce, identify any systemic competency gaps, and develop plans to close those gaps, as required annually by the Department's Civilian Strategic Human Capital Plan. Then by October 2012, the Department will implement a program pilot program with the goal of fully implementing across the financial management workforce by 2013.

All of DoD's efforts are focused on the deliberate professional development of the financial management workforce. Ensuring the financial management community has a broad, enterprise-wide perspective and a standard body of knowledge throughout the Department is key to overall financial management workforce readiness.

Going forward, as in the past, the Department will rely on a collaborative approach to achieving success in the DoD effort to build a clearer framework for training, developing and shaping its financial management workforce. USD(C) will continue to reach out to the Services and Defense Agencies.

DoD and Private Industry Exchange Program

The Department would like to implement a pilot program similar to the Information Technology Exchange Program (ITEP) on-going pilot that is an exchange program between the DoD and the private sector. On October 28, 2009, Sec. 1110 of the NDAA, FY 2010 (Public Law 111-84) authorized a pilot program for the temporary exchange of information technology personnel. That program allows both DoD and private sector information technology employees who work in the field of information technology to participate in a temporary detail to the other sector. Details can range from 3 months to 1 year and may be extended in 3 month increments up to an additional year if all parties agree. The DoD deems that a similar exchange with the Financial Improvement and Audit Readiness Directorate, here at OUSD(C) would reap benefits for the Department towards auditable statements. The benefits of such an arrangement would include the sharing of best practices; both parties would gain a better understanding of each other's practices and challenges; partnering to address common challenges; and enhancement of competencies of personnel. We would like to work with the committee to have language to support a pilot program in the future.

Conclusion

In summary, the Department recognizes the importance of **maintaining a capable financial management workforce** associated with improving financial management in DoD and especially the challenges related to improving information and achieving audit readiness. The Department understands that an emphasis on financial information, improved analytics, decision support, leadership development, and

achievement of auditable financial statements depends on getting the right people with the right skills, in the right jobs at the right time within the financial management community. In support of the FY 2012 NDAA HASC and SASC language, the financial management competencies are being used as the foundational framework for the new DoD financial management certification program – a program aimed to move the financial management workforce toward more analytic orientation and to ensure the financial management community has the knowledge necessary to achieve auditability for the Department. We are thankful to both the House and Senate Armed Services Committees that have already provided needed legal authority in their authorization bills, and we will work with the House and Senate on final language for the FY 2012 NDAA.