

GAO

Report to the Under Secretary of
Defense (Comptroller)

June 1997

FINANCIAL MANAGEMENT

Profile of DOD Comptroller/CFO Financial Managers



**Accounting and Information
Management Division**

B-273001

June 27, 1997

The Honorable John J. Hamre
Under Secretary of Defense (Comptroller)

Dear Dr. Hamre:

The Department of Defense (DOD) needs accurate financial information to effectively manage the Department's vast resources—over a reported \$1 trillion in assets, 3 million military and civilian personnel, and a budget of an estimated \$250 billion for fiscal year 1997. Financial management information not only helps disclose DOD's financial position and results of operations but also provides the Congress with information for making decisions and assessing DOD's performance. Further, the quality of the financial information being produced by DOD and other federal departments will be assessed under the provisions of the Chief Financial Officers (CFO) Act of 1990, as expanded by the Government Management Reform Act of 1994, which includes the requirement for audited DOD financial statements.

In a series of assignments, we are reviewing several areas presenting the greatest challenges to DOD financial management. As highlighted in our February 1997 high-risk series report,¹ one of these challenges is putting in place a quality, professional financial management workforce. Our goal is to identify actions the Department needs to consider in order to enhance its workforce to meet the basic goals of the CFO Act, including

- bringing more effective general and financial management practices to the federal government;
- providing improvements in federal agencies' systems of accounting, financial management, and internal controls; and
- providing for the production of complete, reliable, timely, and consistent financial information for use by the federal agencies and the Congress.

This is the first of several planned reports focused on DOD's financial management workforce. Our objectives for this body of work include (1) identifying the qualifications, including formal education, training, and professional certifications, and professional work experience, of personnel serving in key financial management positions for major organizations within the Department, (2) comparing these qualifications to equivalent positions in state governments and the private sector, and

¹High-Risk Series: Defense Financial Management ([GAO/HR-97-3](#), February 1997).

(3) identifying steps DOD has taken and any additional opportunities that exist to enhance the qualifications of this workforce to meet the tasks outlined above.

This report contains information on the first objective by presenting the information we obtained through biographies and profile instruments completed by key financial management staff in your office. We did not verify the accuracy of this information. We used profile instruments because the specific qualification and experience information above was not available in personnel databases and individual personnel records. To complete our work under the first objective, we also plan to issue individual reports to the Departments of the Air Force, Army, and Navy and to the Defense Finance and Accounting Service (DFAS) on the data we are collecting on financial management staff in key positions in each of those organizations. We believe these reports can help the Department begin to develop plans to enhance qualifications, including education and training requirements, as necessary. Our final report in this series will discuss the qualifications of personnel serving in key financial management positions across DOD and compare the results to the qualifications of equivalent positions in private sector companies and large state governments. We will also identify those steps DOD has taken and others it should consider implementing to enhance its financial management workforce to fully meet the objectives of the CFO Act.

Results in Brief

In collaboration with your office, we identified the three Defense executives (Comptroller/CFO, Deputy Comptroller, and Deputy CFO) and 21 staff in the Office of Accounting Policy as the key staff responsible for DOD financial management. The three executives (1) had formal education degrees ranging from bachelors to doctorate, (2) had certifications in government financial management, and (3) had served in DOD financial management-related positions from 4 to 27 years, with two of the executives also having prior careers with congressional committees and congressional agencies.

Of the 21 staff in the Office of Accounting Policy, 19 had responded to our survey as of April 8, 1997. The respondents included 3 senior executives, 14 GS-15s, 1 GS-14, and 1 GS-13. Highlights from the profiles of these staff follow.

- Eighteen staff held bachelors degrees in accounting or a business-related field, and 10 held masters degrees, 8 of which were also in business-related fields. One respondent also held a doctorate in management.
- Sixteen staff had completed courses in six or more accounting-related subject areas as part of their bachelors and masters studies, typically equating to at least 24 credit hours—the general standard for personnel serving in GS-510 accountant positions. Fourteen of these staff members listed their education major as accounting.
- Eight staff indicated that they had completed accounting-related training and four additional staff had completed other financial-related training during 1995 and 1996. Of the remaining respondents, seven reported receiving training in general topics such as computers or attending professional seminars and symposiums.
- Three staff reported being both Certified Public Accountants (CPA)² and Certified Government Financial Managers (CGFM).³ A fourth staff member holds the CGFM and other certifications, such as Certified Cost Analyst. An additional 13 staff also hold the CGFM. Two staff reported holding no professional certifications.
- The average length of professional work experience was 26 years, with 13 of the 19 staff performing tasks in several financial management-related functions throughout their careers.

Requirements for Financial Managers

The CFO Act requires that an agency's Chief Financial Officer oversee all financial management activities relating to the programs and operations of the agency. Among the key responsibilities of a CFO are overseeing the recruitment, selection, and training of personnel to carry out agency financial management functions.

In November 1995, the Joint Financial Management Improvement Program (JFMIP)⁴ published Framework for Core Competencies for Financial

²The CPA certification program has existed since 1917. State organizations administer this program, awarding the certificate based on the applicant's formal education, professional work experience, and successful completion of a comprehensive examination developed by the American Institute of Certified Public Accountants.

³The CGFM program was initiated by the Association of Government Accountants in July 1994. Until June 30, 1996, the certificate was awarded based on an evaluation of an applicant's formal education and professional work experience in government financial management. Future certifications will require, in addition, the successful completion of three comprehensive examinations covering (1) the governmental environment, (2) governmental accounting, financial reporting, and budgeting, and (3) governmental financial management and control.

⁴JFMIP is a joint and cooperative undertaking of the Office of Management and Budget, General Accounting Office, Department of the Treasury, and Office of Personnel Management to improve and coordinate financial management policies and practices throughout the government.

Management Personnel in the Federal Government,⁵ designed to highlight the knowledge, skills, and abilities that accountants, budget analysts, and financial managers in the federal government should possess or develop to perform their functions effectively in line with the CFO Act. JFMIP stressed the need for federal government financial managers to be well-equipped to contribute to financial management activities, such as the execution of budgets, under increasingly constrained resource caps and the preparation, analysis, and interpretation of consolidated financial statements.

In defining core competencies needed to effectively perform as a senior accountant and financial manager, JFMIP emphasized the need for a broad range of knowledge, skills, and abilities, including

- accounting education with updated knowledge of accounting principles and federal accounting concepts;
- knowledge of agency financial statements, internal control environment, and agency business practices;
- strategic vision for formulation of budgets;
- resource and program management skills, with knowledge of appropriation structure and agency management control systems; and
- human resource skills to effectively manage a large workforce.

This series of reports will focus on those military and civilian individuals who are filling key financial management positions in DOD, generally including staff at and above the levels of GS-13 (civilian) or O-4 (military).

We performed our audit work from January 1997 to May 1997. A more detailed discussion of our scope and methodology is contained in appendix I, including a copy of the profile instrument we used to collect information on the previously identified dimensions. We requested written comments on a draft of this report from the Secretary of Defense or his designee. The Under Secretary of Defense (Comptroller) provided written comments. These comments are discussed in the “Agency Comments and Our Evaluation” section of this report. DOD’s comments are reprinted in appendix II.

⁵Framework for Core Competencies for Financial Management Personnel in the Federal Government, A Joint Project of the Human Resources Committee of the Chief Financial Officers Council and the Joint Financial Management Improvement Program, November 1995.

Profile of DOD Comptroller Executives

Figure 1 shows the formal education, professional certifications, and careers of the top three executives included in our survey—the DOD Comptroller/CFO, the Deputy Comptroller, and the Deputy CFO. The formal education for these executives ranged from bachelors to doctorate degrees. Majors ranged from accounting and economics to areas such as public administration, defense affairs, and U.S. foreign policy. All three executives have been awarded the Certified Government Financial Manager professional certification. The DOD Comptroller/CFO and Deputy Comptroller had 4 and 5 years of experience in DOD, respectively, with most of their other career experiences being mainly associated with congressional committees and congressional agencies, such as the Congressional Budget Office and the Congressional Research Service. The Deputy CFO had spent his entire 27-year career in the Department. The executives have served in financial management-related positions throughout their DOD careers.

Table 1: Profile of DOD Comptroller Executives

DOD Comptroller/CFO	
Education:	Bachelors - Political Science/Economics, Masters - Soviet Studies and International Economics, Doctorate - International Politics/Economics/U.S. Foreign Policy
Certifications:	Certified Government Financial Manager (CGFM)
Career:	DOD - 4 years, Senate Armed Services Committee - 9 years, Congressional Budget Office - 6 years
Deputy Comptroller	
Education:	Bachelors - Political Science, Masters - Defense Affairs and Economics
Certifications:	CGFM
Career:	DOD - 5 years, House Armed Services Committee - 3 years, Congressional Research Service - 10 years, private sector - 1 year
Deputy CFO	
Education:	Bachelors - Accounting, Masters - Public Administration
Certifications:	CGFM
Career:	DOD - 27 years

Profile of Accounting Policy Staff

The Accounting Policy staff consists of three members of the senior executive service and 18 personnel ranging from grades GS-13 through GS-15. As of April 8, 1997, all but 2 of the 21 staff had completed profile

instruments on their qualifications and experience. The respondents included the 3 senior executives, 14 GS-15s, 1 GS-14, and 1 GS-13.

As shown in table 1, 18 of the 19 respondents held bachelors degrees: 14 in accounting and 4 in other business majors. Ten of the staff also held masters degrees, with eight being in business-related majors. One of the executives also held a doctorate degree in management. Sixteen staff had completed courses in 6 or more accounting-related subjects during either bachelors or masters degree programs, with 14 reporting their major as accounting. Typically, when courses are completed in the six accounting-related subjects, universities can award at least 24 credit hours in accounting, which is the general standard for personnel serving in GS-510 accountant positions.

Table 2: Degrees and Majors

Majors	Degree		
	Bachelors	Masters	Doctorate
Accounting	14	0	0
Other business	4 ^a	8	1
Other	0	2	0
Total with degrees	18	10	1

^aIn commenting on a draft of this report, DOD indicated that the two staff who did not complete a profile hold business degrees with major emphasis in accounting.

We asked the officials to provide us with information on the types of training received during the 2-year period of 1995 and 1996. Specific topics of training in the profiles were categorized in four groups—accounting-related, financial-related, general, and other. The general category included topics such as supervision, computers, and diversity issues. Respondents were also encouraged to identify all additional training received under the “other” category. In figure 1, general and other training statistics are combined into a single category. As shown in this figure, all of the respondents had completed some type of training during this period. Twelve of the 19 staff had completed training that included accounting and/or financial topics. Seven other staff completed training in the general category only.

Figure 1: Training Completed During the 2-Year Period of 1995 and 1996

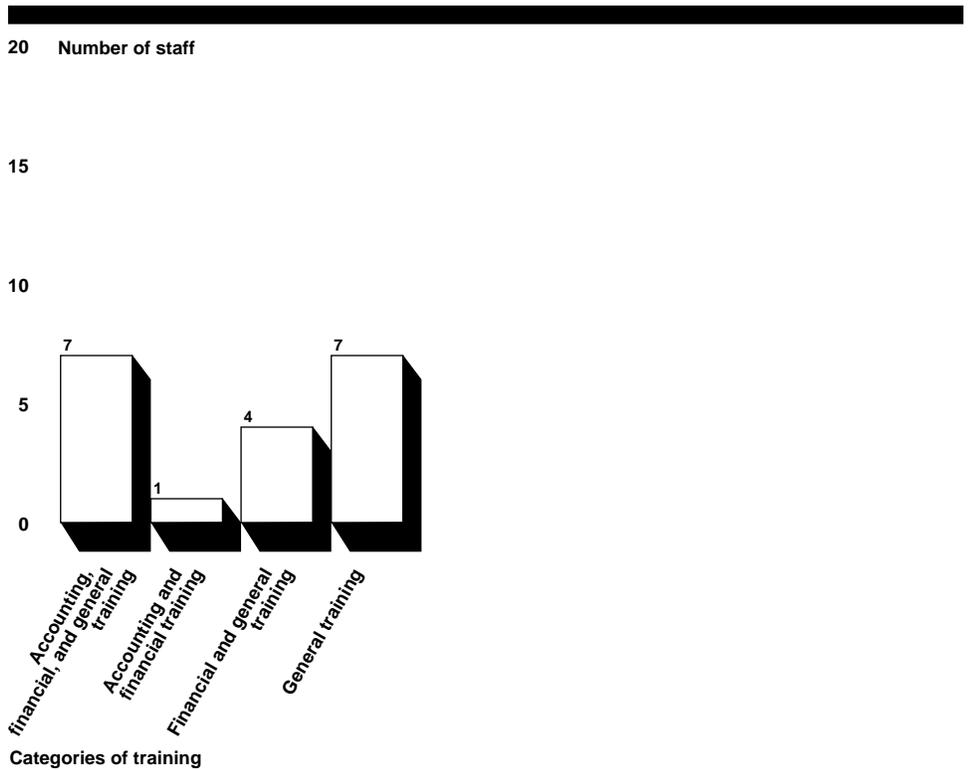
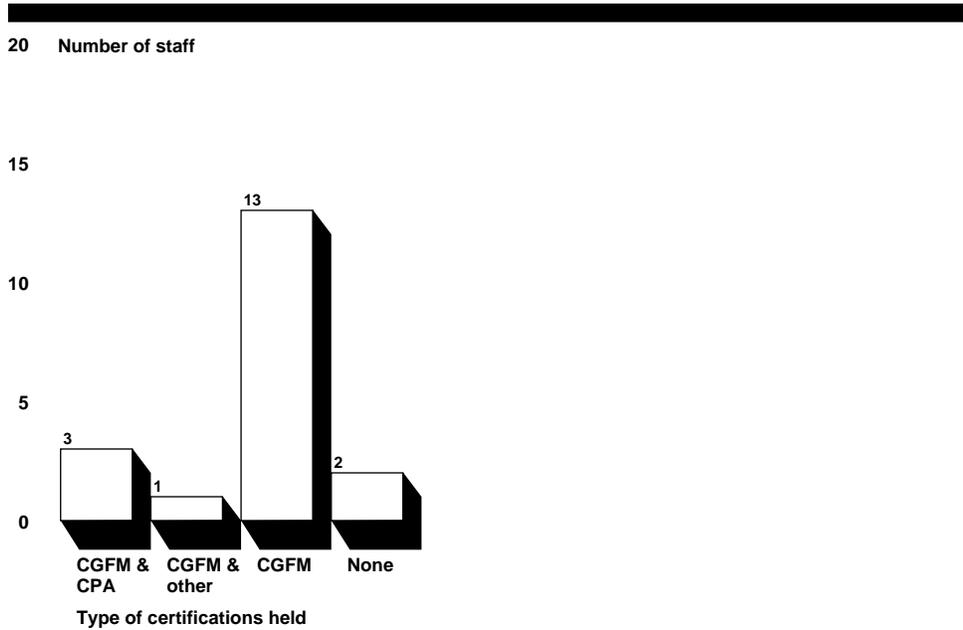


Figure 2 shows the numbers and types of professional certifications held by the Accounting Policy staff. Of the 19 who responded, 17 staff members reported having at least one professional certificate: 13 hold the CGFM, while 3 hold the CGFM and CPA, and one holds the CGFM and other certificates, such as the Certified Cost Analyst.

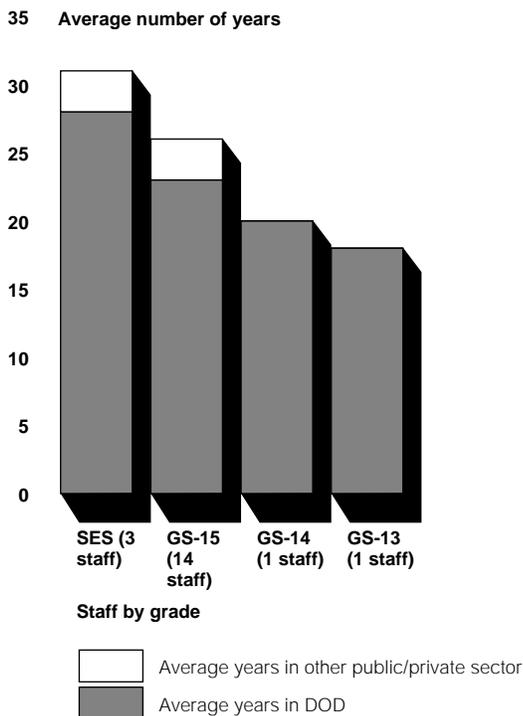
Figure 2: Professional Certifications



In commenting on a draft of this report, DOD indicated that one of the two staff who did not complete a profile is a CPA. No certifications were identified for the other staff member who did not complete the profile.

Figure 3 shows the average number of years of work experience by grade for the Accounting Policy staff. The average ranges from 18 years for the GS-13 staff member to 31 years for the three senior executives for an overall average of 26 years for the 19 respondents. As the figure shows, the Accounting Policy staff have spent most of their careers in DOD. Their profiles also show that 13 of the 19 staff have performed tasks in 3 or more of the financial management-related functions shown below throughout their careers.

Figure 3: Professional Work Experience

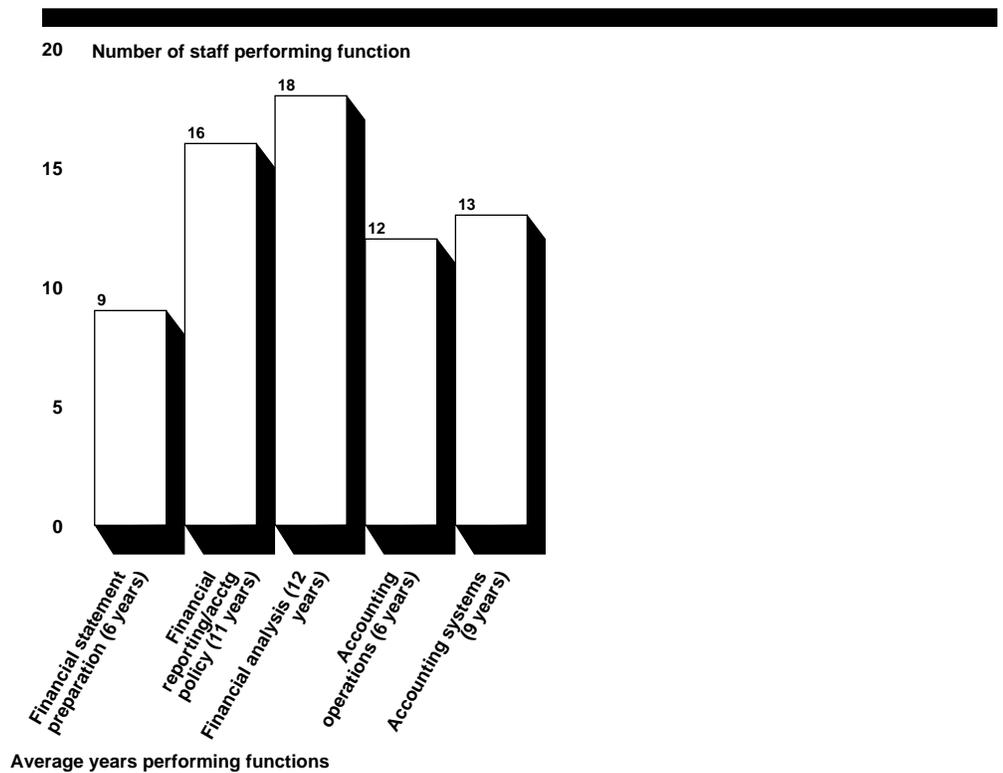


The profile instrument listed five specific financial management-related functions and associated tasks, including

- financial statement preparation—preparing annual financial statements and footnotes,
- financial reporting/accounting policy—preparing financial reports and consulting on the application of accounting policy,
- financial analysis—performing tasks associated with cost accounting, business process improvements, budgeting, cash flow analysis, cost analysis, revenue and expenditure forecasting, and other analysis of financial position and operations,
- accounting operations—recording and reporting accounting transactions, and
- accounting systems development and maintenance—performing tasks associated with functional design and maintenance of accounting and finance systems.

Figure 4 shows the number of Accounting Policy staff who indicated that they have performed one or more of the five financial management functions above and the average number of years of experience in each function. For example, all but one of the 19 respondents have performed financial analysis for an average of 12 years.

Figure 4: Experience in Financial Management Functions



Agency Comments and Our Evaluation

In commenting on a draft of this report, DOD generally concurred with the contents and provided additional information regarding professional certifications, formal education, and training. We have modified the report as appropriate to reflect the training received by one of the respondents and added notes to table 2 and figure 2 to reflect this additional data on the two staff who did not complete a profile instrument.

In its response, DOD also indicated that all staff in the Accounting Policy office are encouraged to attend training periodically, including mandatory

training on new standards promulgated by the Federal Accounting Standards Advisory Board. We support this initiative to keep staff abreast of current issues pertinent to their jobs. DOD's comments are reprinted in appendix II.

We are sending copies of this report to the Chairmen and Ranking Minority Members of the Senate Committee on Governmental Affairs and the House Committee on Government Reform and Oversight, and to the Director of the Office of Management and Budget. Copies will also be made available to others upon request.

If you have any questions about this report, please contact me at (202) 512-9095. Major contributors to this report are listed in appendix III.

Sincerely yours,



Lisa G. Jacobson
Director, Defense Audits

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Abbreviations

CFO	chief financial officer
CGFM	Certified Government Financial Manager
CPA	Certified Public Accountant
DFAS	Defense Finance and Accounting Service
DOD	Department of Defense
JFMIP	Joint Financial Management Improvement Program

Scope and Methodology

In collaboration with DOD Comptroller officials, we identified key financial managers in the DOD Comptroller organization as those individuals in executive leadership positions (the DOD Comptroller/CFO, the Deputy Comptroller, and the Deputy CFO) and the management and professional staff in the Office of Accounting Policy. The officials excluded other divisions because those personnel were not involved in accounting or budget execution-related functions.

For the DOD Comptroller executives, we obtained information from official biographies on their formal education, professional certifications, and careers. We collected information on 19 of the 21 Accounting Policy staff who completed profile instruments regarding their (1) formal education, (2) continuing professional education, (3) professional certifications, and (4) professional work experience. We used a profile instrument due to our concern regarding the completeness of personnel records and personnel data bases. Information in this report is derived from profile instruments and subsequent information provided by DOD in its response to the draft of this report regarding training received by one of the 19 respondents. Figure I.1 is the profile instrument we used to obtain personnel qualification information from the key financial management staff on the Accounting Policy staff. We did not verify the responses reflected in the biographies and profiles we received.

We conducted our work from January 1997 through May 1997 in accordance with generally accepted government auditing standards. We requested written comments on a draft of this report from the Secretary of Defense or his designee. The Under Secretary of Defense (Comptroller) provided written comments. These comments are discussed in the “Agency Comments and Our Evaluation” section of this report and reprinted in appendix II.

**Appendix I
Scope and Methodology**

Figure I.1: Profile Instrument Used to Collect Qualification and Experience Information on Accounting Policy Staff

**PROFILE OF
DOD FINANCIAL PERSONNEL**

Name: _____ Grade/Series or Rank: _____

Position Title: _____

Command/Installation: _____

Location: _____ Phone: (____) _____

Primary Function Performed in Current Position (SELECT ONE):

Finance Operations	_____
Accounting Functions	_____
Budget Execution/Analysis	_____
Cost/Financial Analysis	_____
Comptroller/Financial Mgmt.	_____

PROFESSIONAL CERTIFICATIONS

Please complete the information requested for any of the following professional certifications that you hold. Also, identify any other certifications you hold and the date attained.

Certified Public Accountant:	Year _____	State _____
Certified Management Accountant:	Year _____	
Certified Internal Auditor:	Year _____	
Certified Financial Planner:	Year _____	
Certified Government Financial Manager:	Year _____	
Others:		
_____	Year _____	
_____	Year _____	
_____	Year _____	

**Appendix I
Scope and Methodology**

EDUCATION

Please provide information regarding your formal education, including degree(s) attained, major(s), and accounting-related and other financial management-related courses completed. Place an "X" by the courses you have completed below as part of your undergraduate (U) or graduate (G) studies. Also, include other related courses not listed below. You may copy and add pages if more space is needed.

A. Degree	Major Field of Study	Year
Associate	_____	_____
Bachelors	_____	_____
Masters	_____	_____
Other (Specify)	_____	_____

B. Accounting-related courses (place an "X" by those courses you have completed and add any related courses):

Principles of Accounting	_____ U _____ G
Intermediate Accounting	_____ U _____ G
Advanced Accounting	_____ U _____ G
Cost Accounting	_____ U _____ G
Managerial Accounting	_____ U _____ G
Governmental Accounting	_____ U _____ G
Auditing	_____ U _____ G
Taxes	_____ U _____ G
Business Law	_____ U _____ G
_____	_____ U _____ G

C. Other financial management-related courses (place an "X" by those courses you have completed and add any related courses):

Finance	_____ U _____ G
Economics	_____ U _____ G
Statistics	_____ U _____ G
_____	_____ U _____ G
_____	_____ U _____ G
_____	_____ U _____ G

Appendix I
Scope and Methodology

CONTINUING PROFESSIONAL EDUCATION

This section requests information concerning the continuing professional education you have received from January 1, 1995 through December 31, 1996. For the table on page 4, please place an "X" by those subjects you have completed during the two-year period. If needed, you may attach another page for other courses you have completed during the two-year period.

**Appendix I
Scope and Methodology**

Subjects Completed in 1996 and 1995	1996	1995
General:		
Supervision		
Computer-Related		
Diversity-Related		
Personnel/Team Management		
Communication Skills		
Strategic Planning/Project Management		
Accounting Focus:		
CFO Act/Government Management Reform Act (GMRA)		
Accounting Standards and Procedures		
Accounting Policy		
Standard General Ledger		
Federal Financial Reports/Statements		
Plant, Property, and Equipment		
Liabilities		
Financial/Budget/Financial Management Focus:		
Government Performance and Results Act (GPRA)		
Budget Policy/Formulation		
Budget Execution		
Appropriations Law		
Federal Managers Financial Integrity Management Act (FMFIA)		
Civilian/Military Pay		
Travel Pay		
Vendor Pay		
Cost Estimate Analysis		
Others (Please list):		

**Appendix I
Scope and Methodology**

PROFESSIONAL WORK EXPERIENCE

1. Please indicate the number of years that you have worked in the following sectors since beginning your professional career, either after high school or college.

DOD: ___ years Other Government: ___ years Private Sector: ___ years
2. Provide the number of years you have been working in your current position: _____ years
3. Please provide the number of years during your career that you have worked in the following functions:
 - a. Financial Statement Preparation: ___ years

(Included are those personnel who work primarily in preparing annual financial statements and footnotes <including adjusting entries, closing entries, and trial balances>).
 - b. Financial Reporting/Accounting Policy: ___ years

(Included are those personnel who work primarily in preparing budget execution and financial reports, as well as those advising the preparers in their application of accounting policies.)
 - c. Financial Analysis: ___ years

(Included are those personnel who work primarily in cost accounting, business process improvements, budgeting, cash flow analysis, cost analysis, revenue and expenditure forecasting, and other analysis of the financial position and operations.)
 - d. Accounting Operations: ___ years

(Included are those personnel who work primarily in recording and reporting receivables, receipts, disbursements, payroll, payables (civilian and military/vendor/travel pay), inventory, liabilities, and property, plant, and equipment.)
 - e. Accounting Systems Development and Maintenance: ___ years

(Included are those personnel who work primarily in the functional design and maintenance of accounting and finance systems.

Comments From the Department of Defense



COMPTROLLER

UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100



JUN 12 2008

Mr. Gene L. Dodaro
Assistant Comptroller General
Accounting and Information Management Division
U.S. General Accounting Office
Washington, DC 20548

Dear Mr. Dodaro:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) Draft Report, "FINANCIAL MANAGEMENT: Profile of DoD Comptroller/CFO Financial Managers," dated May 27, 1997 (GAO Code 918860), OSD Case 1370.

The Department generally concurs with the content of the draft report but provides the following additional comments:

Although, in response to the survey, one staff member indicated that no training was performed during the period covered, records indicate that this individual attended training on appropriations law, international agreements, and on stopping cyberfraud. Every staff member is encouraged to attend training on a periodic basis. As an example, the current Deputy Chief Financial Officer has made it mandatory for all staff members of the Accounting Policy Directorate to attend training on the new standards promulgated by the Federal Accounting Standards Advisory Board. To date, 20 of 21 staff members have attended this training.

The Accounting Policy Directorate has four Certified Public Accountants (CPAs) and 17 Certified Government Financial Managers (CGFMs) on its staff (about 80 percent). Of the 17 CGFMs, 3 also are CPAs. Additionally, the professional staff is composed of 17 GS-510 accountants and 4 GS-501 financial management analysts. Of the 17 GS-510 accountants, 14 hold accounting degrees while 3 hold degrees in business related areas with major emphasis in accounting.

While the Department faces the challenges of improving its financial management, it recognizes that a top quality professional financial management work force is necessary to meet its basic goals. I assure you that every effort is made to recruit and retain only the best qualified individuals for financial management positions such as those in the Accounting Policy Directorate.

Sincerely,

John J. Hamre

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