S. Hrg. 106–331

NOMINATION OF JOSHUA GOTBAUM

HEARING

BEFORE THE

COMMITTEE ON GOVERNMENTAL AFFAIRS UNITED STATES SENATE

ONE HUNDRED SIXTH CONGRESS

FIRST SESSION

ON THE

NOMINATION OF JOSHUA GOTBAUM, TO BE CONTROLLER, OFFICE OF MANAGEMENT AND BUDGET

OCTOBER 28, 1999

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NOMINATION OF JOSHUA GOTBAUM TO BE CONTROLLER, OFFICE OF MANAGEMENT AND BUDGET

THURSDAY, OCTOBER 28, 1999

U.S. SENATE,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC.

The Committee met, pursuant to notice, at 10:07 a.m., in room SD–628, Dirksen Senate Office Building, Hon. Fred Thompson, Chairman of the Committee, presiding.

Present: Senators Thompson and Durbin.

OPENING STATEMENT OF CHAIRMAN THOMPSON

Chairman THOMPSON. This morning, the Governmental Affairs Committee is holding a hearing to consider the nomination of Joshua Gotbaum to be Controller in the Office of Management and Budget. The Controller is charged with oversight of implementation of the Chief Financial Officers Act, a piece of legislation Congress passed to remedy decades of serious neglect in Federal financial management.

According to the General Accounting Office, major problems in the government's financial systems include its inability to properly account for and report billions of dollars of property, equipment, materials, and supplies; determine the proper amount of various reported liabilities, including post-retirement health benefits for military employees, accounts payable, and other liabilities; and actively report major portions of the net cost of government operations.

The importance of the position of Controller cannot be overstated. Proper financial management is critical to the efficient operation of our Federal Government. This Controller will have a heavy burden to bear in moving the government toward greater fiscal responsibility, especially as we prepare for the first performance reports under the Results Act.

Mr. Gotbaum filed responses to a biographical and financial questionnaire,[1] answered pre-hearing questions submitted by the Committee,[2] and had his financial statements reviewed by the Office of Government Ethics.

Without objection, this information will be made a part of the hearing record, with the exception of the financial data, which is on file in the Committee offices.

[1] The biographical and financial questionnaire appears in the Appendix on page 13.
[2] The responses to pre-hearing questions appears in the Appendix on page 19.

In addition, the hearing record will remain open for 2 weeks.

Our Committee rules require that all witnesses at nomination hearings give their testimony under oath. Mr. Gotbaum, would you please stand and raise your right hand? Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. GOTBAUM. I do.

Chairman THOMPSON. Please be seated.

Mr. Gotbaum, do you have anyone you would like to introduce at this time?

TESTIMONY OF JOSHUA GOTBAUM, TO BE CONTROLLER, OFFICE OF MANAGEMENT AND BUDGET

Mr. GOTBAUM. Thank you very much, Senator. If I might, I would like to introduce my wife's grandmother, Mrs. Winnifred Dunn.

Chairman THOMPSON. How do you do?

Mr. GOTBAUM. She came up from Roanoke, Virginia.

Chairman THOMPSON. Pleased to have you with us.

Mr. GOTBAUM. My wife, unfortunately, could not be here. She is at her father's hospital bed.

Chairman THOMPSON. I understand. Well, we wish you the best in that regard.

Do you have a statement to make at this time?

Mr. GOTBAUM. I have a brief statement, sir.

Chairman THOMPSON. Proceed.

Mr. GOTBAUM. I am honored to have been nominated by the President for the position of Controller in the Office of Federal Financial Management at OMB. As this Committee above all knows, the Controller and OFFM are a quite important part of the architecture you set in place almost a decade ago with the CFO Act.

There has been very real progress since then. The creation of CFOs in major agencies, the development of accounting standards, and agency and government-wide financial reports, and the beginnings of improved financial systems.

I also should mention beyond the CFO Act the Government Performance and Results Act, which has encouraged the Executive Branch to hold itself accountable to financial as well as other performance standards.

It is important that we all recognize that there is much yet to do. We have made real advances in financial accountability, but many agencies are lagging in financial management. Many of our financial systems are not even "solid state"—they are paper—much less "state-of-the-art."

Finally, all of us in the Federal Government, those who are doing very well and those who are doing less well, are still exploring the best ways to measure performance and results and are still looking how to incorporate those measures into everyday management of our programs and to our decisions about resources and into our plans for the future.

I agreed to be nominated for this position because as one who cares intensely about management in the Federal Government, I hope to continue this progress. I am a realist. I know there are only 15 months left in this administration. Nonetheless, I believe that

these are issues which are not partisan. I think they enjoy the support of people of good will throughout the parties and in the Congress and in the Executive Branch. And I think they ought to be a legacy of this administration for the next. And so that is the reason I hope to be there and to do so.

In closing, let me say again that I am enormously grateful to this Committee for considering my nomination, for giving me this opportunity today. I look forward to answering your questions. I hope to earn your support and, if confirmed, the chance to work with you and others to advance the goals of better government that I think we all share.

Chairman THOMPSON. Thank you very much.

As indicated earlier, the Committee submitted some substantive pre-hearing questions to the nominee, and the nominee has also met with staff to discuss a variety of issues of congressional concern regarding the financial management of the Federal Government. Your written responses to these questions will be placed in the record.

I will start my questioning with these three questions that we ask of all nominees. Is there anything that you are aware of in your background which might present a conflict of interest with the duties of the office to which you have been nominated?

Mr. GOTBAUM. No, sir.

Chairman THOMPSON. Do you know of anything, personal or otherwise, that would in any way prevent you from fully and honorably discharging the responsibilities of Controller at the Office of Management and Budget?

Mr. GOTBAUM. No, sir.

Chairman THOMPSON. Do you agree without reservation to respond to any reasonable summons to appear and testify before any duly constituted committee of Congress if you are confirmed?

Mr. GOTBAUM. Yes.

Chairman THOMPSON. All right. You pointed out several of the statutes that Congress has enacted over the last decade: The Chief Financial Officers Act, the Government Management Reform Act, and the Federal Financial Management Improvement Act. If our progress could be measured in terms of pieces of legislation that have been enacted, we would be in great shape.

Each of these management reforms seeks to improve the financial management of the Federal Government, and this has been something that GAO has identified for a long time as being at the heart of the management problem. Up until fairly recently, there was very little in terms of accountability, very little in terms of determining what it costs to produce what we produce in the government.

In one of its most recent reports on the government's implementation of the Federal Financial Management Improvements Act, GAO wrote this: "The historic inability of many Federal agencies to accurately record and report financial management data on both a year-end and an ongoing basis for decisionmaking and oversight purposes continues to be a serious weakness. There has been little discernible progress since last year."

Mr. Gotbaum, you are in a position to effect greater progress in this area. In your view, first of all, are the staff resources dedicated

to financial management issues sufficient for OMB to identify and correct systemic problems, improve government-wide financial management practices, and implement these statutory requirements?

Mr. GOTBAUM. It is a fair question, Senator. Let me say first that I have read, obviously in preparation for this position, the GAO report and met and sat with not only the folks in OMB but the various chief financial officers and met with the IGs, etc. I think the picture presented by GAO is an accurate mixed picture, meaning we clearly have made real progress, and it would be unfair to the people who have worked on it not to recognize the real progress. It is also entirely accurate to say that there is a long way to go.

And I can't tell you that I know, not having gotten in there yet, that we have the exact right level of resources. I think it is important to say, however, that—because I have been at OMB for a couple of years—that the way the organization works (because it really is a matrix organization) if it does its job well, is to leverage the resources of all of OMB.

And so, from my perspective, Senator, the issue is: Can and does and will OFFM and the folks in the management side of OMB leverage the resources, leverage the expertise, leverage the contacts, and leverage the clout of the divisions (the so-called Resource Management Organizations, or "RMO's") that have individual staff members assigned to individual agencies? In some areas, I know that they have done that and have done that well.

When the Health Care Financing Administration a couple of years ago came forward and said "We are in trouble, we know we are in trouble, we are not sure that we can comply with Y2K, and it is going to take both additional resources and effort," the folks from the management side of OMB and the resource side working together. While no one would say that we are out of that woods yet, it is clear that there has been a lot of effort.

So I think the critical thing here, Senator, is that the organization be active, that it leverage the rest of OMB, that it leverage the CFOs' Council. One of the things that I have got to say, Senator, that is enormously encouraging is to go to a CFO Council meeting, because agency after agency after agency, these are folks who are recognizing that they have common problems. They have common challenges and common issues, and they are working together to solve them.

And as you know, Senator, there are lots of places in the Federal Government where agency after agency after agency faces the same issue and doesn't know it; doesn't look to anybody else for help and doesn't look to anybody else for advice. And so what's really encouraging about the CFO Council is that it is a real mechanism for solving common problems together.

And so what I hope would happen, if confirmed, is that using these resources and setting up some kind of standards and reporting for progress, those two things together ought to provide the encouragement we need to make the progress we need. I think the GAO is accurate in their report. But if it takes a periodic GAO report to figure out when we are or are not up to snuff, then we are not going to be up to snuff, because one of the basic tenets of Man-

agement 101 is if you don't measure it, you can't improve it. And so that is what——

Chairman THOMPSON. That is what the Results Act is supposed to do for us.

Mr. GOTBAUM. Yes, sir, it is.

Chairman THOMPSON. Ultimately. And it has taken a good while to get there. These reports are coming in, the performance plans and so forth, and they are not up to snuff. But you are going to be in the center of this, and that means that you are going to be in a key position to do something about it, because it is really—we talk too much in terms of crises around here, but it looks to me like that we are facing one in terms of the way the government operates.

We are arguing now over a 1 percent across the board or 1.4 percent across the board, and trying to fill a $4 billion hole. GAO has identified over $200 billion of waste and fraud, and pointing out to these agencies, in pretty specific terms, where we are losing money.

The Navy has identified—is it $300 billion?—$3 billion that they identified as lost in transit. So, you know, we are trying to get a handle on that, and one of the reasons it has been so difficult to get a handle on it has been because of the inadequacies in our financial system.

Now we have passed the Results Act, and I think as most everyone knows, what we are trying to do there is identify what our goals are in government. What are we really trying to do? Not churn paper, but what results are we really trying to achieve for the citizens, and then figuring out some way to measure that. What are the results of what we are doing?

But that is all based on adequate financial data, and the GAO tells us we have lousy financial data. And so that is at the heart of it.

Much of the data required by the Results Act comes from financial systems that are in place, and according to GAO, many of the government's financial accounting systems are badly flawed.

They wrote recently that: Agencies do not have a single integrated financial system to rely on and they rely on ad hoc programming and analysis of data that is not reconciled and often requires adjustments. As a result, the risk of material misstatements increases and reliable data cannot be produced in a timely and efficient manner. This is in the case of most Federal agencies.

According to the GAO, most agencies' fiscal year 2000 performance plans suffer from the same three key weaknesses as their fiscal year 1999 plans, one of which was the lack of credible performance data. In fact, GAO found that the plans of 20 out of 24 major agencies provide little confidence that their performance data will be credible.

So I would ask you what steps will you take to ensure that we have a good foundation of performance data with which to proceed in implementing performance-based management.

Mr. GOTBAUM. This is a very important question. It is one I got a chance to discuss with your staff in the interview.

There is a part, Senator, where I agree with and a part where, I have got to be honest, I disagree with the emphasis in the GAO's report. We all think that the Results Act is an incredibly important

issue. We also recognize—and we are pretty honest about it—that we are in the early stages of it. There is a range: Some agencies do, in my view, an extremely good job. Some agencies do a job that I wouldn't want to have to defend. Most agencies are in the middle and are working at this seriously but aren't there yet.

I want to draw an important distinction because I think it matters to this Committee on an ongoing basis: For many agencies, they don't yet know what are the right measures of performance. GAO is raising a second issue—which is a real issue, but it is a second issue—which is that they also don't have established systems and the kind of audit trail that you would need to ascertain the validity of those performance measures.

Because we are still in the developmental stages of GPRA, because we are still at the point where we are trying to nudge agencies to think about what kind of information—(what kind of performance information to use for our grants program versus an operating program, what kind of performance information to use for procurement rather than other kinds of systems, etc.)—the danger is that we could freeze agency decisions too early.

If agencies get the sense that the GAO and us and you care more about the verifiability of performance data, they are going to take easy hits. They are going to start picking the easily quantifiable stuff: "How many grant applications I have processed?" rather than "What is my average time," or "How satisfied are the recipients of my grants over the service they got?" This is not to say that GAO shouldn't push and you shouldn't push on the issue of verifiability of financial systems. There is plenty of room for improvement there. But what I would hope is that you also push on the broader first job of GPRA, which is to say to agencies: Are you using the best performance measures you can? Are they performance measures that are really suited to what your job is?

I got to say that in the 2 years that we have had the Performance Act, there has been real improvement. We are a long way from Valhalla, but there has been real improvement. And what that says to me personally is that we can make more progress.

Chairman THOMPSON. I was talking to some people yesterday about—they were talking about, as one of their measurable criteria, the number of reports they had produced. And I said, "What if they are lousy reports?"

Mr. GOTBAUM. Yes, sir.

Chairman THOMPSON. See, that is what we have got to get to. That is what you are talking about, isn't it?

Mr. GOTBAUM. Yes. And I will give you another for instance. This is a case where OMB was later to the game than I wish we had been.

Each year we send a huge set of instructions to the Federal agencies saying these are the rules by which you should prepare your budget reports. It is called Circular A11. And this year for the first time, we said to agencies: In addition to your GPRA reports, you got to start integrating your performance information into your budget justifications, into your budget submissions. Now, we have suggested this in the past, but now it is in words of one sentence—in words of a few syllables, directly in the A–11.

Now, I am a realist. Do I think that as a result of that change 4 months ago that all of a sudden every agency's budget submission is now going to be rife with the kind of performance data that you would like and we would like? No, sir, I don't. But I do think it can—and if we enforce it aggressively—step up the quality.

Chairman THOMPSON. Oh, I think that is very important. I think that one of the big things that we have been lacking is some connection between performance and budget. And we have got to do better in Congress. We have these hearings and identify these problems, and these agencies waste/lose millions, sometimes billions of dollars. Down the hall they are having some kind of appropriations process that hardly takes it into account. But it has got to be a combination of Congress plus the OMB.

Most of the attention is on the "B" part over there because people don't credit for the "M" much unless there is some easily understood number like fewer employees, government employees, or something like that. When you look at it, first of all, most of them are military and, second of all, we are outsourcing stuff. So it is not costing the government any less. There are a few less bodies on the full-time payroll.

So you have got a real problem, but we understand, I think, the nature of that and how difficult it is, but how important the job that you are going to take on is, because you are the guys who are supposed to be managing, seeing that the agencies do what they are supposed to do. They clearly have not been, and a key part of that problem is the financial management problem, and that is where you are going to be. So it looks to me like you understand that and you are going to come in with some fresh energy and maybe some fresh ideas as to how to break through, and we look forward to working with you on that.

Mr. GOTBAUM. Thank you, Sir.

Chairman THOMPSON. Senator Durbin.

OPENING STATEMENT OF SENATOR DURBIN

Senator DURBIN. Thank you very much, Mr. Chairman.

Mr. Gotbaum, thank you for being here today. I would like to just ask you basically two questions.

The first relates to a friend of mine who had an experience back in Springfield, Illinois. He is an old buddy. He had a heart problem. And so he went to one doctor, and this doctor said, "You are going to have to stop drinking beer," which was a big change in his life-style. So I said to him, "What did you do?" And he said, "I got another doctor." And I said, "What did that doctor tell you?" He said, "Well, if I gave up bread, I could keep drinking beer." And he said, "I haven't touched a slice of bread in weeks."

We seem to have a similar thing going on here when it comes to the Congressional Budget Office and OMB and the budget process. It appears that those of us on both sides of the aisle here pick and choose from projections and forecasts from OMB and CBO when they help our case. I found that yesterday. We were in a markup, a conference committee on the Labor-HHS bill, and some moments the Chairman would be quoting CBO dogma and other moments OMB dogma when the occasion presented itself.

Do you have any perspective on this role of the dueling agencies and whether or not this is healthy or whether there is any objective standard we can use to say here is credibility, here is partisanship? Where can we have a credible line drawn?

Mr. GOTBAUM. Well, Senator, since there are members of the OMB staff here and I am from the administration, of course, I should say that the OMB numbers are right. But let me be more direct.

Chairman THOMPSON. They have been quoting CBO numbers lately. [Laughter.]

Senator DURBIN. We are all guilty of this.

Mr. GOTBAUM. I told you the partisanship in here was much more complicated than I could handle.

I have participated in this as Executive Associate Director of OMB for a couple of years and watched it from other positions. I got to say, Senator—and this is a personal view—these are two independent, very professional organizations—even when I disagree with CBO or when I disagree with OMB staff, I got to say these are terrifically competent folks, very professional, very dedicated. I think the fact that there are two—that they are independent, that they are watching each other, that they are calling each other's fouls—probably at the end of the day is more helpful to the process than if you didn't have that.

I think the OMB staff is fantastic; in a government that is full of very good civil servants, I think it is the best group of civil servants I have ever seen. However, it is also the case that because we are from the administration, even though we are professional, hard-working, dedicated, and try to call them as we see them, the folks up here in Congress are always going to have that nagging doubt.

And so I think the CBO has made a real contribution. That doesn't mean, Senator, that we won't have differences on the margin. It doesn't mean we won't have differences on some call. We will and we do, etc. But I think given what you get for having a second opinion that is of quality, I think we are all a little better off. And that doesn't mean that I wouldn't be grateful if my former colleague, Barry Anderson, and Dan Crippen occasionally didn't lean our way, but the fact of the matter is the process works better than if we didn't have them.

The other thing I should say, Senator is that one of the things that happens from the legislative process here is that you all focus necessarily on the disagreements. You focus on the cases where we and they disagree, or you focus on the cases where Democrats and Republicans disagree or the House and the Senate disagree. The vast majority of estimates that we do and they do, way over 90 percent, are close together. And that is part of the reason why we get some confidence when we have the disagreements.

Senator DURBIN. Let me address one other issue, and Senator Thompson has already alluded to it—the "M" part of OMB. You made a speech to the National Academy of Public Administration last summer and alluded to an issue of great concern to me. That is the issue of food safety and the multiplicity of Federal agencies, 12 different Federal agencies with jurisdiction over the safety of

food in the United States, 35 different laws, clearly duplication, overlap, and waste taking place.

This is something that this Committee, the Governmental Affairs Committee, addressed over 22 years ago and said we have got to do something about that in a hurry—22 years ago. And the obvious conclusion is we haven't done much.

I am just curious as to when it comes to the role of OMB and talking about this kind of duplication at the Federal level, where we have clearly mired ourselves down into a tangle of jurisdictional fights downtown, jurisdictional fights on the Hill, jurisdictional fights in the industry, what role can the voice of OMB play in changing this?

Mr. GOTBAUM. Senator, this is another example of the point I made to Senator Thompson. OMB has a very difficult, frequently misunderstood, and frequently painful role, which is it is our job, on behalf of the President, to reconcile disagreements, to force agencies to look beyond their stovepipes as best we can, and in some cases just keep score, make sure that we are doing this stuff.

There is a young woman at OMB who actually was my special assistant for a while, a woman named Wendy Taylor. She is 30 years old. She is from Lawrence, Kansas. She is as smart as my mother thinks I am. And she is in OIRA, the Information and Regulatory Affairs shop of OMB.

She worked with the folks on the agriculture branch, the health branch, etc., Every couple of years we do go back and look at cross-cutting issues like food safety (we always look at cross-cutting issues, but which cross-cutting issue we look at changes over time). And so within the administration, we forced an inter-agency discussion.

Now, we also work in the world of the real. There are still multiple agencies that do this stuff but that doesn't mean that we are not watching, working, and trying to make improvements. And let me just mention one that I—because Wendy was working for me at the time—participated in. We said, "All right, maybe we are not going to consolidate all these agencies for internal reasons or legislative reasons. But we can certainly force them to talk to each other about their own research budgets. We can make sure that in the area that is most likely for there to be overlap, 'Guys, you ought to sit down and we ought to have a single, coordinated research budget in this area.'"

And so we created a food safety research institute. It is in early days, it has been in operation for a year. But it is getting folks to the table, forcing them to have what I think of as an integrated agenda for research, making sure that the funds we do have, whatever they are, are used sensibly. It is an example of where and how OMB works.

We do this a lot. Personally, I have spent a lot of time as Executive Associate Director in those issues which cross stovepipes, so counterterrorism and dealing with weapons of mass destruction because it covers the Justice Department and the Defense Department and Health and Human Services, etc., is something which I watch over. That is another example.

Federal agencies, they are created, they have their histories, they have their skills, they have their people. And sometimes you can

and should make wholesale changes, but you ought to recognize that there are real costs to making them. Even if we don't go that far, we nonetheless ask, "Are we allocating the Nation's resources in some way that makes sense among them?" When we were talking about who trains local governments to prepare for the possible terrorist incidents we had a discussion and we said, "DOD could do it, FBI could do it, HHS could do it, but obviously you can't have all three."

This is the bread and butter business of OMB. It is something we do a lot.

Senator DURBIN. The real responsibility, of course, lies here on Capitol Hill, and perhaps at the initiative of the President, to change the laws to solve the problem. And at least you have to say that the conversation, the dialogue that you have discussed has to be positive. The only bad thing I know that came out of it was when one member of the Cabinet referred to it as "a virtual unified food agency." I took that as in virtual reality, which is not reality but appears to be. And so that choice of words, I think, left something to be desired, but I thank you for your testimony, and I certainly support your nomination.

Thank you, Mr. Chairman.

Chairman THOMPSON. Thank you very much.

I couldn't let this opportunity pass without once again referring to basic problems that we are dealing with here. GAO and agency IGs have identified about 300 major management problems for the 24 agencies collectively. This includes the 26 problems on the GAO's current high-risk list. Agencies on the high-risk list specifically because of poor financial management include the Department of Defense, the Forest Service, Federal Aviation Administration, and the Internal Revenue Service.

There are over 700 open GAO recommendations addressing high-risk problems alone, and another 450 open GAO recommendations on other major management problems. There are hundreds more open IG recommendations for the 300 management problems.

Now, that is not to say that all the recommendations are even good ones or valid, but that is an awful lot of stuff out there that there seems to be not much happening on because so many of these agencies continue to appear on the high-risk list over and over and over again.

Collectively, there are over 1,000 open, unresolved GAO and IG audit recommendations. Many of these major management problems, of course, relate to financial management.

So this is just the scope, just reminding you of something that I know you know by now, the scope of the problem and what you are going to have to deal with. But I know you are committed to do that. You have an excellent background educationally and in terms of your work in the private sector and your government work, and I commend you for taking this on. And please work with us and give us your ideas and let us work together to see if we can't begin to address some of these things.

You are right. A lot is going on. A lot of good work is being done by a lot of good people. But it is not our job to get together and congratulate each other on what we have done. It is our job to do better, because we are not doing as well as if we were in the pri-

vate sector and had to be accountable. So we have got to move toward that.

If you have nothing further, then I have nothing further, and we will try to move this nomination along as rapidly as possible.

Mr. GOTBAUM. Senator, let me just say thank you again. This is not to minimize the issues that you raise, because they are real and they are important. I think that in order for us to make progress, we need a combination of carrot and stick and reporting in the light and tough talk, privately, in the dark. I certainly don't want to dissemble under oath and to the chairman of my committee, so I am not going to tell you that we are going to solve all of this, but I can tell you that we are going to work at it seriously. We are going to work on the large ones that we can make progress on, and I look forward, if you all confirm me, to working with you in trying to get something accomplished.

Thank you.

Chairman THOMPSON. I appreciate that, and thank you very much.

We are adjourned.

[Whereupon, at 10:45 a.m., the Committee was adjourned.]

A P P E N D I X

BIOGRAPHICAL & FINANCIAL INFORMATION FOR JOSHUA GOTBAUM

A. BIOGRAPHICAL INFORMATION

1. **Name: (Include any former names used.)**

   Joshua Gotbaum

2. **Position to which nominated:**

   Controller, OFFM, OMB

3. **Date of nomination:**

   September 14, 1999

4. **Address: (List current place of residence and office addresses.)**

Joshua Gotbaum 4139 Parkglen Court, NW Washington, DC 20007-2137 202-342-5333	US Office of Management & Budget OEOB 254 Washington, DC 20503 202-395-9188

5. **Date and place of birth:**

   9/18/51 New York, NY

6. **Marital status:**

   Married to Joyce Helen Thornhill

7. **Names and ages of children:**

   Emma Catherine Gotbaum, age 7 years; Adam Irving Gotbaum, age 5, and Jordan Charles Gotbaum, age 4.

8. **Education: List secondary and higher education institutions, dates attended, degree received and date degree granted.**

Scarsdale High School	9/66 - 6/69	HS diploma '69
Stanford University	9/69 - 12/71, 9/72-5/73	A.B. '73
Harvard Law School	9/73 - 6/77	J.D. '78
J. F. Kennedy School of Govt	9/74 - 6/77	Master Public Policy '78

9. **Employment record: List all jobs held since college, including the title or description of job, name of employer, location of work, and dates of employment. (Please use separate attachment, if necessary.)**

Job/Title	Organization	Location	Dates
Executive Associate Director	US Office of Management & Budget	Washington, DC	Since June 1997
Assistant Secretary for Economic Policy	US Treasury	Washington, DC	1996 - 97
Assistant Secretary for Economic Security	US Dept of Defense	Washington, DC	1994 - 95
General Partner, previously Vice President and Associate	Lazard Frères & Co.	New York, London	1981 - 94
Legislative Assistant	US Senator Gary Hart, Senate Budget Committee	Washington, DC	1981
Associate Director for Economics	White House Domestic Policy Staff	Washington, DC	1980 - 81
Executive Assistant	Office of the Advisor to the President on Inflation, White House	Washington, DC	1979 - 80
Policy analyst and Special Assistant to the Deputy Assistant Secretary for Policy Analysis	US Department of Energy/White House Office of Energy Policy & Planning	Washington, DC	1977 – 78
Consultant	National Highway Traffic Safety Administration, US Dept of Transportation	Washington, DC & Cambridge, MA	1975 – 76
Law Clerk	Paul, Weiss, Rifkind, Wharton & Garrison	New York	Summer 76
Law Clerk	Verner, Liipfert, Bernhard & McPherson	Washington, DC	Summer 76
Intern	Environment Branch, OMB	Washington, DC	Summer 75
Law Clerk	Gordon & Schechtman, PC	New York	Summer 74

10. **Government experience: List any advisory, consultative, honorary or other part-time service or positions with Federal, State, or local governments, other than those listed above.**

None

11. **Business relationships: List all positions held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, or other business enterprise, educational or other institution.**

Organization	Type of Organization	Relationship	Dates
Lazard Freres & Co., New York	Investment bank	General Partner	1/90-2/94
Lazard Freres & Co., Ltd., London	Investment bank	Managing Director	1/90-12/93

BIOGRAPHICAL & FINANCIAL INFORMATION FOR JOSHUA GOTBAUM

12. Memberships: List all memberships and offices held in professional, business, fraternal, scholarly, civic, public, charitable and other organizations.

Kennedy School of Govt. Visiting Committee	Member
Adas Israel Congregation, Washington	Member
Detourmuster Ltd. London, UK	Director of managing corporation of my London apartment bldg. 1991-93
Dance Theater Workshop, Inc.	Director, 1982-90
Kennedy School of Govt. Alumni Assn.	Bd mem, Sec'y, 1978-82
District of Columbia Bar	1978-81
Harvard Club of NY	Member several years in early 1980's

13. Political affiliations and activities:

(a) List all offices with a political party which you have held or any public office for which you have been a candidate.

None

(b) List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

None

(c) Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of $50 or more for the past 5 years.

Reed Committee	6/29/99	$250
Kerry Committee	8/28/96	$1,000
Reed Committee	5/28/96	$1,000
Democratic National Committee	5/17/96	$1,000

14. Honors and awards: List all scholarships, fellowships, honorary degrees, honorary society memberships, military medals and any other special recognition for outstanding service or achievements.

Treasury medal for distinguished service; Defense Department Distinguished Service Award; Esquire Magazine Register of "Best of the New Generation", 1994; Fellowship award, Kennedy School of Government

14. Published writings: List the titles, publishers, and dates of books, articles, reports, or other published materials which you have written.

"Brother Can You Share a Dime? An Investment Banker's Guide to Employee Ownership", *ILR Report*, New York State School of Industrial & Labor Relations, Fall 1986 (Coauthored with Eugene Keilin and Ron Bloom)

Wrote a case study for the JF Kennedy School of Government on "Prevention of Significant Deterioration", 1976? (under the direction of Prof. Lawrence Lynn)

"Coed Dorms: Results of the First Real Studies", *College* magazine, I:2, Fall 1973

16. **Speeches: Provide the Committee with three copies of any formal speeches you have delivered during the last 5 years which you have copies of and are on topics relevant to the position for which you have been nominated.**

    Speech to the National Academy of Public Administration on the Government Performance & Results Act on June 15, 1999, is Attachment A-1.

17. **Selection:**

    (a) Do you know why you were chosen for this nomination by the President?

    No. I believe I was chosen because I have a combination of substantive understanding of financial and accounting issues, as well as familiarity with the Administration and both public and private sector management issues generally.

    (b) What do you believe in your background or employment experience affirmatively qualifies you for this particular appointment?

    For 13 years, I worked as an investment banker on a wide range of financial matters, from acquisitions and public offerings to financial restructurings and bankruptcies. This work required a detailed understanding of both accounting and finance. For the past two years, I have developed knowledge and understanding of OMB's relationships and processes, as well as familiarity with many officials from other agencies. In prior positions in the Departments of Treasury, I and my staff worked with the actuaries from the Social Security Administration and the Health Care Financing Administration on both policy and reporting issues. I also have experience in management, at OMB and previously in Treausry and the Department of Defense.

B. FUTURE EMPLOYMENT RELATIONSHIPS

1. **Will you sever all connections with your present employers, business firms, business associations or business organizations if you are confirmed by the Senate?**

   All financial interests in my previous private employer were severed when I entered government service. As noted below, after consultation with counsel and the Office of Government ethics, I retained pension rights and investments in other firms that were made when I was a partner of the firm.

2. **Do you have any plans, commitments or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, explain.**

   No.

3. **Do you have any plans, commitments or agreements after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization?**

   No.

4. **Has anybody made a commitment to employ your services in any capacity after you leave government service?**

   No.

5. If confirmed, do you expect to serve out your full term or until the next Presidential election, whichever is applicable?

   Yes.

C. POTENTIAL CONFLICTS OF INTEREST

1. **Describe all financial arrangements, deferred compensation agreements, and other continuing dealings with business associates, clients or customers.**

   I have no remaining financial interest in Lazard Frères. I have no arrangements with the firm other than (a) a deferred, vested, fixed pension; (b) participation as a passive investor in investments in other firms that were made while I was a partner at the firm, investments that are independently managed and disclosed; and (c) being a brokerage customer of the firm on standard commercial terms.

2. **Indicate any investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated.**

   None.

3. **Describe any business relationship, dealing or financial transaction which you have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.**

   None.

4. **Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation or affecting the administration and execution of law or public policy.**

   None

5. **Explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items. (Please provide copies of any trust or other agreements.)**

   If there are any, I will consult with OMB counsel and take whatever action he advises to resolve the conflict, by recusal, divestiture or other ethics undertaking.

6. **Do you agree to have written opinions provided to the Committee by the designated agency ethics officer of the agency to which you are nominated and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position?**

   Yes.

D. LEGAL MATTERS

1. **Have you over been disciplined or cited for a breach of ethics for unprofessional conduct by, or been the subject of a complaint to any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details.**

   No

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2. Have you ever been investigated, arrested, charged or held by any Federal. State, or other law enforcement authority for violation of any Federal, State, county or municipal law, regulation or ordinance, other than a minor traffic offense? If so, provide details.

   No.

2. Have you or any business of which you are or were an officer ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details.

   When I was in high school, I and my parents were defendants in a litigation involving a traffic accident. The case was settled.

   When I was a partner in the Corporate Finance department of Lazard Frères & Co., the firm was investigated in the early 1990's by the SEC and others regarding its activities in the municipal finance advisory business. After I left the firm, Lazard Frères signed an agreement with the SEC under which it paid a fine, but did not admit to violations of law. My work as a general partner of Lazard Frères was in another department of the firm.

4. Have you ever been convicted (including pleas of guilty or *nolo contendere)* of any criminal violation other than a minor traffic offense?

   No.

5. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.

   None.

AFFIDAVIT

Joshua Gotbaum being duly sworn, hereby states that he/she has read and signed the foregoing Statement on Biographical and Financial Information and that the information provided therein is, to the best of his/her knowledge, current, accurate, and complete.

Joshua Gotbaum

Subscribed and sworn before me this 22 day of Sept, 19 99

Bessie M. Jones Neave
Notary Public
Commission Expires: Aug. 14, 2004

PRE-HEARING QUESTIONS FOR JOSHUA GOTBAUM, CONTROLLER NOMINEE

The Role of Controller

1. **The 1990 Chief Financial Officers (CFO) Act established within OMB the important position of Controller to head the Office of Federal Financial Management (OFFM). How do you view the role of the Controller of OFFM at OMB?**

   My understanding is that the position of Controller and OFFM were created to provide a focus within OMB and the Executive Branch for improvements in financial management, reporting and systems. The Controller provides leadership in government-wide efforts to improve Federal financial management by coordinating policy and standards development throughout the Executive Branch, working with the Treasury and other agencies. As with other OMB roles, the Controller must work through a combination of leading and coordinating: providing guidance; cooperating with agencies, both informally and through interagency councils; developing standards when appropriate; and exercising review and oversight. He or she must also work cooperatively with the Congress and the GAO.

   The Controller should work by leveraging OMB's resources throughout the Federal government. The Controller should work to improve financial and other management by serving as a coach, supporter, and a sounding board for the Federal financial community, the Inspectors General, and the grant-making agencies. Nonetheless, individual agencies ultimately are responsible to perform the work.

   The Controller participates, influences and sometimes chairs the statutory councils: the CFO Council, Chief Information Officers Council, President's Council on Integrity and Efficiency (PCIE), and the Executive Council on Integrity and Efficiency (ECIE) to enhance and ensure the professionalism, effectiveness, and efficiency of the government's financial management and audit responsibilities. The Controller also coordinates the Federal Credit Policy Working Group, which coordinates cash and credit management and debt collection initiatives; and supports government-wide electronic commerce initiatives.

   In addition to the CFO Act, I understand that the Controller is also responsible for ensuring the effective implementation of several other government-wide financial management statutes, including the Federal Managers' Financial Integrity Act (FMFIA), the Government Management Reform Act (GMRA), the Single Audit Act Amendments of 1996, the Federal Financial Management Improvement Act (FFMIA), and the Inspector General (IG) Act. In fulfilling these statutory responsibilities, the Controller issues policies and guidance relating to Federal agency financial management and the administration of Federal grant programs administered by States, local governments, colleges and universities, and non-profit organizations.

2. **What knowledge, skills, and abilities do you bring to the Controller position?**

   I would hope to bring to the position, if confirmed, a combination of substantive understanding of financial and accounting issues, familiarity with the Administration and both public and private sector management issues generally, an ability to lead and manage, and to develop consensus across agencies and get things done.

I have deep and longstanding familiarity with both government and business. For 13 years, I worked as an investment banker on a wide range of financial matters, from acquisitions and public offerings to financial restructurings and bankruptcies. This work required a detailed understanding of both accounting and finance. For the past two years, I have developed knowledge and understanding of OMB's relationships and processes, as well as familiarity with many officials from other agencies. In prior positions in the Departments of Treasury, I and my staff worked with the actuaries from the Social Security Administration and the Health Care Financing Administration on both policy and reporting issues. I also have experience in management, at OMB and previously in Treasury and the Department of Defense.

3. **What in your educational background makes you the best candidate for Controller?**

My original academic training was in public policy and the law. They provided a base of understanding of governmental programs and processes, including public sector accounting and budgeting. After I became an investment banker, I studied private sector accounting as well.

4. **Since 1994, you have held positions at the Departments of Defense and Treasury and at OMB. How do the responsibilities you had in those positions contribute to your ability to perform as Controller?**

My experience in other agencies and at OMB provides important background. Each position gave me exposure to the processes, personnel and systems of government agencies, providing relationships and understanding that would be very helpful in a coordinating and oversight role such as the Controller. All of them provided an opportunity to manage limited (but talented) staff resources in ways that provide leverage and achieve results.

At the Defense Department, among other things I worked to help the Department adopt private sector business approaches and helping improve the Department's ability to integrate its purchasing and other systems with commercial practices. At my instigation, for example, we developed a course to train DoD staff on basic private financial accounting standards. We also developed and coordinated various reform efforts, from property disposal to private housing construction. In each of these cases, my responsibility was a coordinating role similar to that of the Controller, so the experience in developing a combination of encouragement and oversight would be helpful.

At the Treasury Department, I worked among other matters on Social Security and Medicare Trustees reporting, with the actuaries from the Social Security Administration and the Health Care Financing Administration. This helps provide a basis for understanding financial reporting requirements and roles generally, one of the Controller's most important responsibilities.

At OMB, as Executive Associate Director I have worked with every office in OMB and in the EOP on a range of crosscutting issues and processes. The experience and the position would provide substantial leverage for OFFM as it continues to work with the Resource Management Offices of OMB and the agencies. I also have developed a familiarity and understanding of budget reporting and accounting requirements, which I think would be helpful in ensuring that financial reporting and performance measures required under the GPRA are integrated into government resource and management decisionmaking.

5. **How will you, as Controller of OFFM, address current Federal financial management challenges?**

   As I noted above, I believe the Controller should exercise a combination of leadership, coordination, guidance and oversight. Improving financial management is critical to maintaining public confidence in the integrity and competence of the Federal government. Beginning with the CFO Act, both Congress and the Executive have recognized the importance of developing reporting and auditing standards, improving systems and providing clear reports to the public.

   I understand that there has been substantial progress to date, particularly in the achievement of unqualified opinions on agency financial statements, as well as the preparation and audit of government-wide financial statements. Nonetheless, there remains much to do: developing the standards and achieving clean reports for the remaining agencies and the government as a whole; improving systems; and integrating financial and performance information and systems into the ongoing resource, management and policy decisions of the Federal government.

   If confirmed, I would hope to continue and build on this progress. I will do this primarily by providing leadership to and working closely with interagency councils, including the CFO, CIO, PCIE, and ECIE Councils. Also, I will work closely with OMB's other senior executives and Resource Management Offices (RMOs).

6. **Given the many issues competing for the attention of OMB staff, strong leadership will be important in ensuring consistent guidance and continued concern for government-wide financial management issues. How do you propose to ensure that OMB's attention to financial management issues is not overwhelmed by short-term budget responsibilities?**

   This is an important issue, but one that OMB faces routinely. In order to ensure that ongoing financial and other management issues received the attention they deserved, OMB several years ago established Priority Management Objectives (of which several are in the financial area). Both the management offices and the RMO's work on these, are reported to the Director on their progress every month. In addition, the interagency councils provide a mechanism and forum for maintaining the visibility of these issues. If confirmed as Controller, I would continue to raise and work on these efforts, working with the Deputy Director for Management, other senior OMB officials, the councils and the agencies.

7. **Please describe your views on the role of OFFM's relationship to the rest of OMB.**

   As I noted above, OMB is a matrix organization in which each management office works with the RMO's, providing expertise and focus to the RMO's greater resoures and ongoing agency relationships. I understand that OFFM already provides training, guidance, and hands-on assistance to RMOs on a variety of financial management topics, including grants management, financial statement preparation and audit requirements, financial management systems requirements, credit and cash management, and management integrity standards.

8. **In your view, are OFFM staff resources dedicated to financial management issues sufficient for OMB to identify and correct systemic problems, improve government-wide financial management practices, and oversee the implementation of statutory requirements such as those of the CFO Act, the Government Management Reform Act, Federal Financial Management Improvement Act, and the Government Performance and Results Act? What strategies will you use to overcome any OFFM staffing shortfalls?**

   Not having been responsible for the office, I cannot offer an authoritative view. I understand that, as with all OMB activities, OFFM accomplishes a great deal with a small staff of dedicated, energetic individuals. Like other OMB offices, it provides leadership, direction and oversight, but relies heavily on the agencies themselves. If confirmed, I would expect to continue taking advantage of the broader OMB staff, as well as the interagency councils and the agencies themselves.

Addressing Government-wide Financial Management Issues

9. **Describe your views on the importance of financial management improvement in general and the CFO Act's financial management requirements in particular?**

   As noted above, financial management improvement is critical both to improving the actual operations of government and to maintaining the public's confidence in the government itself.

   As amended by GMRA, the CFO Act requires the establishment of a corps of Chief Financial Officers, as well as preparation of agency-wide financial statements, which provide information for assessing budgetary integrity, operating performance, and stewardship. These audits of these financial statements provide feedback on the reliability of reported information and on the adequacy of agencies' systems and controls. In addition, the required *Federal Financial Management Status Report and Five-Year Plan* enforces discipline on the overall process.

   I understand that there has been substantial progress to date, particularly the improvement seen in obtaining unqualified opinions on agency financial statements, as well as the preparation and audit of government-wide financial statements. Nonetheless, it is clear there is still much to do.

10. **The 1999 *Federal Financial Management Status Report and Five-Year Plan* describes six financial management priorities. What are your views regarding the key challenges OMB needs to meet to accomplish each of these priorities?**

    The objective of this plan is to develop a strategy for achieving financial management goals. OMB recently issued its 1999 *Federal Financial Management Status Report and Five-Year Plan*, which describes six priorities. I have noted what I view as the key challenges to each.

    Improve Financial Accountability – Agencies must continue to address deficiencies that affect the quality of financial information and prevent unqualified audit opinions. In addition, agencies will need to modify and upgrade their systems to support revised accounting standards.

Improve Financial Management Systems – There is clearly much to do here, and OMB needs to determine how best to exercise continued leadership to support agency implementation of financial systems improvements. I understand that this will involve continued support and close coordination with the CFO Council and the Joint Financial Management Improvement Program (JFMIP), which is operated jointly by OMB, GAO, Treasury, and the Office of Personnel Management.

Develop Human Resources – I understand that the CFO Council is working with the Office of Personnel Management to develop both recruitment and retention strategies to maintain a skilled financial management work force.

Improve Management of Receivables – OMB needs to continue to support the implementation of the Debt Collection Improvement Act in agency decisions about holding, servicing, or disposing of debt and efforts by the Treasury at offsetting and cross-servicing. This will involve a continued effort at education and guidance of the affected agencies.

Use Electronic Commerce to Improve Financial Management – The government needs to use technology to deliver services and collect information more efficiently and effectively, while respecting people's privacy. Since doing so will require wholesale reform of information systems (to interface automatically with private systems), we could at the same time take advantage of the upgrades to improve financial systems as well.

Improve Administration of Federal Grant Programs – I understand that there have been several serious efforts at simplification and/or integration of grants programs, such as those covered by the Workforce Investment Act. Government must continue its efforts to simplify and modernize grants management administration, while maintaining the accountability demanded by the Congress and the public.

11. The President's goal is to achieve an unqualified opinion on the consolidated government wide financial statements for fiscal year 1999. Will this goal be achieved and what are your plans for ensuring that it is met?

As I noted above, developing financial statements prepared in accordance with generally accepted accounting principles and publicly reporting the audit results will help provide confidence in the integrity of government programs generally. I understand that the government has been working on this goal throughout the 1990s. Although substantial progress has been made, achieving the goal will not be easy. It will be achieved, but not by the FY1999 audit. The Federal government had operated for more than 200 years without audited Federal financial statements. As a result of GMRA, the first government-wide financial statements were produced and subjected to audit for 1997, and again for 1998. This was an enormous undertaking and the audits identified many shortcomings, both in systems and standards, that people throughout the Federal government have been working diligently to resolve.

As I understand it, there remain two primary obstacles to an unqualified opinion on the government's financial statements: (a) the elimination of intra-governmental transactions, and (b) financial reporting issues at the Department of Defense (DOD). The intra-governmental transactions issue is being addressed collectively by GAO, Treasury, OMB, and the CFO Council. I understand there is substantial attention being paid to both, but neither will be completed this year. If confirmed, I would continue to highlight and encourage these efforts, working with senior officials from Treasury, GAO, OMB and the Department of Defense.

12. **The President's May 26, 1998 directive requires the heads of agencies designated by OMB to report quarterly on progress in meeting milestones set out in action plans to address financial reporting deficiencies and to obtain unqualified opinions on their financial statements. What are your strategies for monitoring agencies' reports submitted under this directive and ensuring that these agencies are on track to overcome the impediments identified by agency heads?**

Currently, OMB reviews the quarterly reports and meets with agencies that are deemed "at risk." These meetings include GAO, OMB, Treasury, and the agency Inspector General senior staff. If confirmed, I will continue these efforts. I would also provide regular status reports to the CFO and PCIE councils, sharing best practices throughout the financial management community.

13. **GAO has designated several agencies' financial management -- DOD, IRS, FAA, Forest Service -- as high risk. What steps will you take to ensure that these agencies in particular adequately address the underlying financial systems and control problems promptly?**

I understand that agencies that GAO designated as "high risk" in financial management are receiving a high level of attention from senior agency management. These agencies have worked with GAO, OMB, Treasury, and their agency Inspector General staff to develop plans to correct the deficiencies that caused their high risk designation. Also, senior officials from GAO, OMB, Treasury and the Inspector General staff convene follow-up meetings with the heads of the agencies to review the plans and monitor progress. If confirmed, I will ensure that this follow-up on agency plans continues.

14. **How do you envision your role regarding agencies' efforts to implement the Federal Financial Management Improvement Act of 1996? Specifically, how will you actively facilitate agencies' efforts to implement effective cost accounting practices and define appropriate techniques to integrate these practices with budgetary reporting practices?**

I understand that, in this area as elsewhere, OMB's role has been to encourage agency compliance through the issuance of guidance and monitoring of agency actions. I would expect to continue this if confirmed.

With respect to cost accounting, I understand that OMB, the Joint Financial Management Improvement Program (JFMIP), and the CFO Council have been active recently in this area. OMB issued the Federal Accounting Standards Advisory Board's (FASAB) Statement of Federal Financial Accounting Standard (SSFAS) No. 4 concerning cost accounting, JFMIP issued cost accounting systems requirements, and the CFO Council issued a corresponding implementation guide.

I understand that integration of cost accounting with budget accounting is a topic of ongoing discussion at OMB, one I support. If confirmed, I would expect to work to advance this by working with agencies through the CFO council and the budget process.

15. What are your views on the adequacy of agencies' financial management staff resources and training and what are your strategies for helping to shore up this area?

Agency staffs are challenged both by the increasing complexity and sophistication of the work expected of them. Over the last 20 years we have seen an evolution of the composition of work which agencies perform from one focused largely on bookkeeping work to increasingly complex automated systems. I understand that the agencies in the CFO Council are concerned that the US government may not be sufficiently competitive to retain the qualified personnel that are necessary. The CFO Council has been working with the Office of Personnel Management to provide procedures and tools to enhance the capability of financial staff. These include qualification requirements, training programs, and recruiting and retention tools. If confirmed, I would work to support this effort.

16. Given the increased emphasis on performance information and managerial cost accounting, do you believe you will have the staff capacity to develop and utilize such information?

If properly used, performance and cost accounting information can be powerful tools for agency management and OMB in fulfilling their respective responsibilities. The key to achieving greater use of this information is to integrate it into the normal course of business by OMB, the President, and Congress when examining programs and making budget decisions, and by the agencies in managing their programs. I am committed to improving RMO staff development and enhancement of the skills and experience they need to use performance and cost accounting information to address the management and budget issues the Federal government faces.

17. How do you plan to ensure that OMB's and Federal agencies' financial management functions are not jeopardized by Y2K failures?

OMB's and the President's Council on Y2K Conversion have required agencies to identify mission critical systems, including financial systems. I understand that as of September 15th agencies now report 98% compliance on mission critical systems. OMB has also asked agencies to submit Business Continuity and Contingency Plans and worked with the CIO Council, GAO and others to refine them. OMB and Y2K Council oversight of agency remediation, testing, and contingency planning continues actively.

Supporting Performance-Based Management and Accountability

18. What do you see as OMB's and the Controller's role in fostering government wide performance-based management and accountability?

OMB and the Controller have an important leadership role in promoting performance-based management across the government. An essential element in this effort is to continue to more fully integrate performance measures into budgeting and management processes. To do so, the Controller needs to work with agencies' to strengthen their capacity to provide performance information linked to financial and budget reporting. This means being a coach, supporter and catalyst for integrated and complementary use of financial information in support of both management and budget processes.

19. Given the increased emphasis on the use of agencies' financial statements and cost data, how would you suggest building the OMB Resource Management Office staffs' capacity to effectively utilize this information?

OMB's program examiners are expected to perform analysis related to financial management, information technology, procurement, and program evaluation issues for their assigned agencies. These requirements are part of the job description and qualifications OMB uses to recruit and select examiners, as well as the performance standards that Branch Chiefs use to assess individual performance and that senior management uses to determine performance awards and promotions.

The RMOs' ability to do this requires a combination of internal training and consultation with the management offices. OFFM, OIRA and OFPP staff serve as consultants to program examiners in the RMOs and participate on teams reviewing significant issues, such as reviews of financial statements and major information technology investments. In addition to this direct consultation, RMO expertise in management issues is enhanced through OMB's training program.

20. How do you think the position of Controller could best demonstrate how the development and effective use of results-oriented performance measures can benefit agencies?

The key to demonstrating the benefit of performance information is to use it in reviews of both budget and operations/management, and then to publicize that fact. Our progress will depend on GPRA becoming integrated into these processes, not being separate from them. If confirmed as Controller, I would continue the efforts I have undertaken as Executive Associate Director to ensure that performance measures are incorporated into OMB's budget processes, and work to bring them into the discussions of the management councils as well.

21. What role should the Controller play in the development and execution of agencies' strategic and performance planning?

The Controller should work with the agencies to ensure that their plans and reports are not only prepared consistently with the statute and OMB's instructions, but are useful and used in the normal course of business. This means working collaboratively through the RMOs with individual agencies and collectively with the Chief Financial Officers Council to bring about greater use of performance information, including linking performance with the budget. Ultimately, the Results Act plans and reports are the agencies to prepare and use, but OMB can provide encouragement, guidance and oversight.

22. According to the General Accounting Office, most agency FY2000 performance plans suffer from a lack of confidence that performance data will be credible. In fact, 20 of 24 major agencies provided little confidence that performance data will be credible. What would you do as Controller to address these systemic, government wide problems with data reliability? And what steps will you take to ensure that agencies provide reliable performance data to you and Congress?

Agencies' FY 2000 plans were, on the whole, markedly better than what we saw in FY 1999. OMB expects the scope, quality and usefulness of the FY 2001 plans will be better still. There is, as everyone recognizes, room for improvement. But, the agencies have made, and are continuing to make, real progress.

I understand that OMB has provided guidance on the preparation and submission of annual performance plans and reports provides instructions on the systems, processes, and practices for collecting and reporting performance information. OMB staff have also coordinated with the Inspectors General on their prospective role regarding the verification and validation of reported data. If confirmed as Controller, I would work closely with the agencies, both individually and through the CFO Council and other councils, to see that they develop and use reliable performance information.

23. What are your views on the level of attention that the Inspectors General should give to issues of program effectiveness and to making recommendations for achieving improvements in that area – particularly in light of the Results Act? What role should the Inspectors General play in auditing and verifying the results reported by programs and in evaluating program performance?

Since its enactment in 1993, agency implementation of the Results Act is still an evolving process. Agencies are still refining – and struggling with – effective and meaningful performance measures. Rather than quell agency efforts to develop measures by demanding extensive auditing and verification of the information or measures before the agencies have enough experience to know which are meaningful, it might be more useful at this time for the IGs to help agencies establish controls over performance information and by sharing their perspective on appropriate measures given their knowledge of agency programs and operations.

Carrying Out OMB's Strategic Plan and Performance Plan

24. How do you view the role of the Controller in achieving the goals set forth in OMB's strategic plan?

The OMB strategic plan states four primary goals:

(1) Recommend to the President spending, regulatory, tax and other policies that fulfill the President's policy goals and promote sustainable economic growth.

(2) Provide management leadership to ensure faithful execution of the enacted budget, programs, regulations, and policies.

(3) Assist the President by providing analysis and advice on critical longer-range demographic, fiscal and economic trends, and on significant issues.

(4) Improve OMB's means for accomplishing work, including development and use of its human resources and information systems.

Obviously, the Controller's primary obligations relate to the management goals. However, OFFM can work to ensure that agency budgets provide adequate resources for program implementation and that credit policies are consistent with other economic policy programs.

25. What do you see as the most important objectives requiring your attention among those identified in the performance plan?

As noted above, the Controller has special responsibilities to achieve Goal 2: "Provide management leadership to ensure the faithful execution of the enacted budget, programs, regulations and policies."

Objectives under that goal include:

working with agencies to improve management practices throughout the government on an agency-specific and inter-agency basis;

improving government performance by meeting GPRA requirements;

assisting each of the 24 CFO Act agencies in obtaining unqualified and timely audit opinions on their financial statements;

providing agencies with commercial off-the-shelf (COTS) accounting software and financial management tools to replace antiquated and noncompliant systems;

facilitating the use of commercial services such as multi-purpose bank cards to promote outsourcing transaction processing;

Cconducting prototypes to demonstrate program improvements and enhanced financial management in major benefit delivery or credit programs; and

working with the agencies and GAO to obtain an unqualified and timely opinion on the financial statement of the U.S. Government.

The Controller and OFFM work collaboratively with the CFO Council in pursuit of these shared objectives. Much progress has been made toward achieving these objectives, as described in the 1999 *Federal Financial Management Status Report and Five-Year Plan*. If confirmed, advancing these goals would be my primary objective as Controller.

26. How do you plan to work with OMB's senior executives in implementing the goals and objectives set forth in the performance plan?

As noted earlier, OMB is a collegial, matrix organization which relies heavily both upon cooperation between offices and on the support and dedication of a very talented staff. OMB senior executives work together and share staff to address various issues as they arise. I expect OFFM and the Controller to be no different: collaborating with OMB's other statutory offices and the RMOs in those areas of mutual interest.

To create a clear set of priorities for management efforts, the Administration has identified a set of Priority Management Objectives (PMOs). Many of the goals and objectives included in OMB's performance plan are addressed in various PMOs. PMOs are published annually in the President's Budget and OMB senior executives report monthly to the Director regarding ongoing efforts, achievements, and planned next steps. As Controller, I would be responsible for PMOs that relate to improving financial management, and would work with the RMO's, interagency councils and individual agencies to see that progress is made.

27. In your view, what is the role of the Controller in achieving the performance goals set out in the annual performance plan?

As noted in my response to question 25, if confirmed, I would make achieving these performance goals my primary objective as Controller.

28. Which of the goals identified in OMB's annual performance plan do you think are the most important from the Controller's perspective?

As noted above, the Controller has a special obligation to provide management leadership to ensure the faithful execution of the enacted budget, programs, regulations, and policies in the financial management areas described in question 25. At this time, I don't think I can provide a ranking among them.

Establishing Effective Relationships With Others

29. **How do you, as Controller, plan to ensure good communication and effective working relationships with agency's CFOs? The CFOs Council? The IG community? The agency Chief Information Officers? The Joint Financial Management Improvement Program? The Federal Accounting Standards Advisory Board? The President's Council on Integrity and Efficiency?**

OFFM and the Controller play key roles in each of these interagency organizations. I believe it is critical for the Controller and OFFM staff to provide strong leadership, coordination, communication and support to help each of them contribute to improving government. In my experience, interagency and interdisciplinary efforts to pool resources and knowledge on crosscutting issues require energy, attention and patience. For issues such as electronic benefit payments, grants, travel and other common administrative services, credit and debt management, financial and information systems, and systems security, however, they could be rewarding and help agencies help each other, to improve the quality of services provided by government.

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