

Advance Questions for Richard Greco, Jr.
Nominee for Assistant Secretary of the Navy (Financial Management and
Comptroller)

Defense Reforms

Almost two decades have passed since the enactment of the Goldwater-Nichols Department of Defense Reorganization Act of 1986 and the Special Operations reforms.

Do you support full implementation of these defense reforms?

Yes I do. The establishment of the combatant commands, the definition of responsibilities, and most importantly, the focus on “jointness” have enhanced the readiness and warfighting capabilities of the U.S. armed forces.

What is your view of the extent to which these defense reforms have been implemented?

The performance of our joint forces in the conflicts that have ensued after enactment of Goldwater-Nichols would indicate that implementation of these reforms appears to be effective.

What do you consider to be the most important aspects of these defense reforms?

I consider the most significant value of these reforms to be an improvement in joint warfighting capabilities. Our military is now stronger, faster, and more lethal because our Services can work better together employing joint systems and resources.

The goals of the Congress in enacting the Goldwater-Nichols Department of Defense Reorganization Act of 1986 and the Special Operations reforms can be summarized as strengthening civilian control over the military; improving military advice; placing clear responsibility on the combatant commanders for the accomplishment of their missions; ensuring the authority of the combatant commanders is commensurate with their responsibility; increasing attention to the formulation of strategy and to contingency planning; providing for more efficient use of defense resources; enhancing the effectiveness of military operations; and improving the management and administration of the Department of Defense.

Do you agree with these goals?

Yes

Do you anticipate that legislative proposals to amend Goldwater-Nichols may be appropriate? If so, what areas do you believe it might be appropriate to address in these proposals?

Periodic review is always appropriate. If confirmed, I am committed to working with the Secretary of the Navy relative to any desired changes to financial management and provide appropriate recommendations.

Duties

What is your understanding of the duties and functions of the Assistant Secretary of the Navy (Financial Management and Comptroller)?

If confirmed, I will be responsible for advising the Secretary of the Navy on financial management matters and for directing and managing all financial activities and operations of the Department of the Navy.

Assuming you are confirmed, what additional duties, if any, do you expect that the Secretary of the Navy will prescribe for you?

I am not aware of any additional duties at this time but the Secretary is involved in several defense-wide taskings from the Secretary of Defense, such as implementation of the National Security Personnel System. I would expect to support these activities as part of his leadership team.

What background and experience do you possess that you believe qualifies you to perform the duties of the Assistant Secretary of the Navy (Financial Management and Comptroller)?

My education and professional experience from graduate school onward have been in the area of finance, particularly corporate finance. After being graduated from the University of Chicago Graduate School of Business with an MBA in finance, I worked at The Scowcroft Group, advising hedge funds on the risks of international investing. After joining Stern Stewart I began to work as a financial advisor to Fortune 500 corporations in the areas of corporate finance, performance measurement and management, and incentive compensation. I began Stern Stewart's Italian operations, bringing modern American principles of corporate finance to many major companies and banks in Italy, with significant success. We became known as the "outside CFOs." After September 11, 2001 I sought to enter government to help in the Global War on Terrorism and applied for the White House Fellowship, which I received and subsequently assigned to the Office of the Secretary of Defense, where I helped the Secretary and his staff with numerous diverse issues. During my year as a White House Fellow I was assigned to Baghdad where I served as an advisor in the area of private sector development, and upon my return was appointed Acting Director of Private Sector Development for the Coalition

Provisional Authority Representative Office, a position which I held until the dissolution of the CPA in June 2004.

Do you believe that there are any steps that you need to take to enhance your expertise to perform these duties?

Since I can remember, I have been dedicated to education, self-study, and professional training, and the value that they bring for self-enhancement and performance improvement. Realizing my lack of experience within the Department of the Navy, I intend to avail myself of all resources – especially the wealth of experience held by my colleagues – to improve my expertise and preparedness for this position.

Relationships

If confirmed, what would your relationship as Assistant Secretary of the Navy (Financial Management and Comptroller) be with each of the following?

The Secretary of the Navy

The Assistant Secretary of the Navy (Financial Management and Comptroller) is the principal assistant and advisor to the Secretary and Under Secretary of the Navy on fiscal and budgetary matters. The Assistant Secretary (Financial Management and Comptroller) also performs such other duties as the Secretary or Under Secretary may prescribe.

The Under Secretary of the Navy

Please see the answer to A above.

The other Assistant Secretaries of the Navy

If confirmed, I would ensure that their interests are represented in recommending financial alternatives to the Secretary of the Navy. I would work to ensure that financial management activities of the Department support their respective portfolios.

The Chief of Naval Operations

If confirmed, I am committed to providing the support that the CNO requires in order to execute best his duties and responsibilities and achieve the mission of the Navy.

The Commandant of the Marine Corps

If confirmed, I am committed to providing the support that the CMC requires in order to execute best his duties and responsibilities and achieve the mission of the Marine Corps.

Elements of the Navy responsible for financial management and comptroller

If confirmed, I would direct and manage immediate staff elements of my office and provide policy and oversight for all elements of the Navy and Marine Corps performing financial management functions.

The Assistant Secretaries of the Army and the Air Force for Financial Management

If confirmed, I am committed to working closely with the Assistant Secretaries of the Army and Air Force in the area of financial management to support the efforts of the Secretary of Defense and the Under Secretary of Defense (Comptroller) in order to facilitate decision-making at all levels and achieve the strongest cooperation between the services possible. I am committed to working to foster a cordial and productive working relationship with these colleagues.

The Under Secretary of Defense (Comptroller)

In the role of Assistant Secretary of the Navy (Financial Management and Comptroller), I will, if confirmed, work closely with the Under Secretary of Defense (Comptroller) in the development and execution of the budgetary and fiscal policies and initiatives of the President, the Secretary of Defense, and the Secretary of the Navy.

Major Challenges and Problems

In your view, what are the major challenges that will confront the Assistant Secretary of the Navy (Financial Management and Comptroller)?

One major challenge is advising the Secretary, the CNO and the Commandant on resource decisions to provide the capability to fight the global war on terrorism in the most effective and efficient manner necessary. The other major challenge is improving our business systems to ensure that leadership of the Department of the Navy has ready access to accurate information in a timely manner. In addition, consistent with the efforts already underway at the Department of the Navy, I would, if confirmed, continue to look at ways to improve performance measurement and management.

Assuming you are confirmed, what plans do you have for addressing these challenges?

If confirmed, I will work closely with the Under Secretary of Defense (Comptroller), the Secretary of the Navy, the Chief of Naval Operations and the Commandant of the Marine Corps to implement the budgetary proposals and systems improvement plans of this Administration.

What do you consider to be the most serious problems in the performance of the functions of the Assistant Secretary of the Navy (Financial Management and Comptroller)?

The Department under Assistant Secretary Avides has made great progress in providing accurate and timely information. If confirmed, I am committed to continuous improvement in this area.

If confirmed, what management actions and time lines would you establish to address these problems?

If confirmed, I am committed to studying the present situation and developing a strategic plan of action including a timeline.

Priorities

If confirmed, what broad priorities would you establish in terms of issues which must be addressed by the Assistant Secretary of the Navy (Financial Management and Comptroller)?

I understand that the Department already has a financial management improvement Program that is being implemented and a plan to begin deployment of a Navy Enterprise Resource Program. If confirmed, my intent would be to lead actively and support these efforts.

Civilian and Military Roles in the Navy Budget Process

What is your understanding of the division of responsibility between the Assistant Secretary of the Navy (Financial Management and Comptroller) and the senior military officer responsible for budget matters in the Navy's Financial Management and Comptroller office in making program and budget decisions including the preparation of the Navy Program Objective Memorandum, the annual budget submission, and the Future Years Defense Program?

If confirmed, I will have the responsibility and the authority for all budget matters within the Department of the Navy. The officer who serves as the Director of the Office of Budget will serve under my direct supervision and will be responsible to me for the formulation, justification, and execution of the Department's budget. The Navy and Marine Corps officers responsible for programming will also serve as my principal military advisors in my capacity to oversee development of the Department of the Navy program objectives memoranda.

Business Management Modernization Program

For the past three years, the Administration has pursued a Business Management Modernization Program (BMMP) aimed, in part, at correcting deficiencies in the Department's financial management and ability to receive an unqualified "clean" audit. Two years ago, Secretary Zakheim testified before the Senate Armed Service Committee's Readiness Subcommittee that DoD's financial management modernization would be complete by 2007. At that time, he stated, DoD would be able to provide a full, repeatable accounting of resources and funding.

Do you expect the Navy to meet that 2007 time line for financial modernization?

I would defer to OSD on the specific timeline and current status. I understand that OSD's Business Management Modernization effort has established a timeline for an initial phase that supports DOD's 2007 goal of achieving a "clean financial opinion". Modernizing financial management in the Department of the Navy will be an ongoing, long term effort with interim milestones. If confirmed, I would support this effort.

If that time line cannot be met, would you support continuing the BMMP?

Establishing an architecture or framework to support our business processes and improve system integrity and interoperability makes good business sense. As I learn more about the program, it may become evident that interim course corrections may be required in which case I am committed to making appropriate recommendations.

The BMMP advocates top-down leadership in establishing an enterprise architecture for business systems modernization. The Services, however, appear to be pursuing independent pilot programs for modernizing business systems, despite the risk that a Service-led approach could produce numerous incompatible systems.

Do you support an OSD-led approach to business modernization?

I support OSD leadership in this area.

If so, what would you do to ensure such an approach takes place?

As I have indicated, I am committed to working with my OSD colleagues to foster a professional and productive relationship. However, I am not familiar enough with the details of the program to make a recommendation that would ensure OSD leadership.

A critical requirement of the BMMP is an "enterprise architecture" that would establish standards and requirements for modernization or new acquisition of business information technology systems.

In your view, why is establishing an effective enterprise architecture so important?

An enterprise architecture, as I understand it, provides the blueprint or framework within which business processes and supporting systems can be integrated and standardized.

When can the Congress expect to see a fully developed enterprise architecture?

I would defer to the appropriate leadership at OSD to respond to the specific timelines associated with the delivery of a fully developed architecture.

One of the key facets of the BMMP is the establishment of functional domains.

Are you supportive of the current construct, or, if confirmed, would you plan to advocate revising these functional domains?

Again, I am not familiar enough with the details of this program. If confirmed, I would work with OSD leadership to make any appropriate changes.

GAO Recommendations for Reform

In testimony before the Senate Armed Service Committee's Readiness Subcommittee this year, the Comptroller General of the United States, David M. Walker, offered two suggestions for legislative consideration which, in his words, are intended "to improve the likelihood of meaningful, broad-based financial management and related business reform at DoD." These included establishing a senior management position in the Department to spearhead DoD-wide business transformation efforts, and giving the leaders of DoD's functional areas, or "domains," control of systems investments.

What is your view of these suggestions? Do you agree with this statement?

I have only recently received a copy of Mr. Walker's testimony, and I have not had a chance to review it.

Mr. Walker testified that the Department of Defense should fix its financial management systems before it tries to develop auditable financial statements. He explained that: "Given the size, complexity, and deeply ingrained nature of the financial management problems facing DOD, heroic end-of-the-year efforts relied on by some agencies to develop auditable financial statement balances are not feasible at DOD. Instead, a sustained focus on the underlying problems impeding

the development of reliable financial data throughout the Department will be necessary and is the best course of action.”

Do you agree with this statement?

I understand that the Department of Defense’s financial systems date back many decades. As with any system of such age, legacy problems are inevitable. However, this does not mean that one does not try to achieve optimal improvement or have a vision to work towards.

Government Performance and Results Act (GPRA)

If confirmed as the Assistant Secretary of the Navy (Financial Management and Comptroller), what would your responsibilities be with respect to the requirements of the GPRA to set specific performance goals and measure progress toward meeting those goals?

If confirmed, I will support the ongoing efforts of both the Department of Defense and the Department of the Navy to meet the requirements of GPRA, and I will work to ensure that performance measures are integrated into the budgetary and financial systems.

What additional steps can the Navy take to fulfill the goals of GPRA to link budget inputs to measurable performance outputs?

The Department of the Navy can further expand and develop meaningful performance metrics and integrate them into the budgeting and decision making process. If confirmed, I am committed to studying what has been achieved already and to making appropriate recommendations for areas of improvement.

Leasing Major Weapon Systems

What is your opinion of leasing versus buying major capital equipment?

Do you believe that leasing is/would be a viable and cost-effective option for procuring Department of the Navy equipment?

I understand that the Department of the Navy currently leases certain equipment, such as computer servers. If confirmed, I would need to look at each case individually and conduct a detailed business case analysis before being able to determine if buying or leasing is the better choice.

Military Pay Systems

The GAO recently completed a report that identified extensive problems with the military pay system. Modernizing the military pay system is part of the longer term Business Management Modernization Program, however, it is essential that corrections be made immediately in this system to minimize personal hardships on servicemen and women and their families.

What will you do to address these pay problems in both the short and long term?

I recognize that accurate and reliable pay is critical to morale and retention of our Sailors and Marines. If confirmed, I am committed to addressing both the short and long term problems identified in the report, and will work to ensure our personnel have the best possible military pay system.

Working Capital Funds

Are there any changes you would recommend in the policies governing working capital funds in the Department of the Navy?

If confirmed, it would be my intention to review carefully the policies associated with the working capital fund and determine what, if any, changes would be desirable.

Do you believe the scope of activities funded through working capital funds should be increased or decreased?

Periodic review of alternative financing mechanisms is always beneficial. If confirmed, I will review the scope of activities funded through the working capital fund.

Travel and Government Purchase Cards

The increased usage of government travel and purchase cards were significant financial and acquisition reform initiatives of the past decade. Concerns, however, have been raised in the past several years about the controls put in place for both the travel and purchase cards.

What is the status of Department of the Navy's efforts to ensure proper controls are in place that will not jeopardize the benefits accrued from the proper use of these cards?

It is my understanding that the Department of the Navy, under the direction of Assistant Secretary Aviles, has made significant progress in improving the processes and controls for use of these cards. A combined effort involving senior leadership engagement, effective communications and training have resulted in reduced number of cases of

misuse and record low delinquencies. If confirmed, I would support a continuation of these efforts.

Authorization for National Defense Programs

Do you believe that an authorization pursuant to section 114 of Title 10, U.S. Code, is necessary before funds for operation and maintenance, procurement, research and development, and military construction may be made available for obligation by the Department of Defense?

It is my understanding that for certain areas including military construction, new starts, and multiyear procurements, funds cannot be released until specific authorization is received. I believe it to be a key part of the overall budget process and as such it is important to have an authorization act before releasing funds.

Incremental Funding of Ships

Recently, the Department of the Navy has begun relying on incremental funding for the procurement of ships.

In your view, what are the likely benefits or advantages of incremental funding?

I have not yet had an opportunity to study an objective analysis of alternative funding mechanisms for shipbuilding but, if confirmed, I will give careful consideration to innovative methods of meeting future requirements and I look forward to working with this committee on these matters.

What are the likely costs or disadvantages of such funding?

See above.

How do you weigh these competing costs and benefits, and what approach do you believe the Navy should take toward incremental funding of ships?

See above.

Congressional Oversight

In order to exercise its legislative and oversight responsibilities, it is important that this Committee and other appropriate committees of the Congress are able to receive testimony, briefings, and other communications of information.

Do you agree, if confirmed for this high position, to appear before this Committee and other appropriate committees of the Congress?

Yes.

Do you agree, when asked, to give your personal views, even if those views differ from the Administration in power?

Yes.

Do you agree, if confirmed, to appear before this Committee, or designated members of this Committee, and provide information, subject to appropriate and necessary security protection, with respect to your responsibilities as the Assistant Secretary of the Navy (Financial Management and Comptroller)?

Yes.

Do you agree to ensure that testimony, briefings and other communications of information are provided to this Committee and its staff and other appropriate Committees?

Yes.
