



All Things Financial Management

Episode 18: DoD FM Strategy and Audit Efforts with Mr. Tom Steffens

INTRO: Welcome to All Things Financial Management, an ASMC podcast sponsored by Guidehouse, where we discuss all things under the auspices of the comptroller's office and address top of mind issues in the financial management community.

TOM RHOADS: Good morning. My name is Tom Rhoads. I'm a partner with Guidehouse where I work with clients across the DoD and other government agencies to transform and optimize their financial management functions. I'll be your host for today's podcast. For those of you who may be new to this podcast series, let me take just a moment to provide some background on the American Society of Military Comptrollers. The American Society of Military Comptrollers or ASMC is the nonprofit educational and professional organization for individuals, military, civilian, corporate, or retired involved or interested in the field of defense financial management.

ASMC promotes the education and training of its members and supports the development and advancement of the profession of defense financial management. The society provides membership, education and professional development, and certification programs to keep members and the overall financial management community abreast of current issues and encourages the exchange of information, techniques, and approaches.

Today, we have with us Mr. Tom Steffens. Mr. Steffens was appointed to the Senior Executive Service in May of 2013. He has been serving since May of 2022 as Deputy Chief Financial Officer, Department of Defense. Most recently, he served as the Chief Financial Officer for the U.S. Army Corps of Engineers. Prior to that, he was the Director of Accountability and Audit Readiness, Office of the Assistant Secretary of the Army (Financial Management and Comptroller). There he led preparations for the first Army-wide audit of financial statements by an independent public accountant.

He also served over 27 years as an officer in the United States Army Finance Corp serving at every leadership level through battalion commander. He earned his bachelor's degree in accounting from St. Peter's University in 1985. He received his MBA as a graduate of the Defense Comptrollership Program, then the Army Comptrollership Program at Syracuse University in 1993, and an MS in National Security Strategic Studies from the Naval War College in 2007.

TOM STEFFENS: Thank you, team. I really appreciate the opportunity and particularly I know this podcast, I've seen some before and they have a lot of reach. Hey, if they can

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help the financial management community at large, then it's great. I really appreciate you doing these and hosting a number of people, because I think it has a lot of benefit to our community.

TOM RHOADS: Thank you, Mr. Steffens. We used like to start by asking about your background and specifically what brought you to your current position as the Deputy Chief Financial Officer for the Office of Under Secretary Defense (Comptroller). In other words, Mr. Steffens, can you share with us your story?

TOM STEFFENS: Absolutely. Just to put in context, I've been here about seven months now as the DCFO for the Department, but my career goes back almost 38 years. I was accounting major in college. Never thought to coming out of a small commuter college in Jersey City, New Jersey that I'd wind up being here, but I have the Army to thank primarily for that. I was a finance officer, commissioned officer for about 27 years in the Army and did everything from being a disbursing officer to worked in budget, worked in a little bit in programming, and some accounting as well and had a variety of positions working for a variety of places ranging from the 101st Airborne Division to special operations to Comptroller for US EUCOM.

Of course, I finished out at the Pentagon in a budget position, but I had a unique opportunity. I actually taught economics for a year at the National Defense University at the Eisenhower School, but I had an opportunity to start my civilian career with the Army a little over 10 years ago and started out working financial improvement and audit readiness is what we called it back then and got a great wealth of experience there for about three and a half years. The first time I really looked at audit, especially at the Department level, and realizing the complexity of it. After that, I had a really great opportunity.

I spent a little over six years at the U.S. Army Corps of Engineers as their CFO. I tell folks to really see kind of what right looked like and it was enormously beneficial for me in terms of the synchronization of the system, the processes, and of course, the USACE Finance Center, all in a great unity of effort there. As you all know, has been able to produce clean audit opinions now for I believe it's 14 consecutive years. I had the luxury of being there six of those years and really getting mentored by some professionals there at USACE and preparing me from where I am now here at OSD. I'm really grateful to be here.

It is a lot different than being at the Corps of Engineers, and I developed an enormous respect for the complexity of the effort to get a clean audit opinion here, and also just a great respect for the team members that I have and many of them, which I've known for many years, that are currently working this at the service component level, as well as the defense agencies and here on the OSD staff as well. It was a lot of years of experience to get here, but I will tell you, and it's just something for everybody else, is that you never stop learning.

The last seven months here has been an enormous orientation for me going forward. I hope in '23 I can pay back more here in terms of leading us to increase success.

TOM RHOADS: Well, thank you for sharing that Mr. Steffens. Speaking of '23, you just wrapped up the fifth full financial statement audit. What were some of the highlights of the '22 audit, and what are some of the focus areas that you see coming in '23?

TOM STEFFENS: The '22 audit, I would say the results were fairly stable from the previous year. You'll see that we did not have any new clean opinions from the multiple standalone audits that we produced. We still have nine clean opinions that we obtained from organizations such as the Military Retirement Fund, of course, the Army Corps of Engineers, as I mentioned earlier, DISA Working Capital Fund, Defense Commissary Agency and the like. We're still really trying to put a lot of focus on some are bigger entities right now as we go into '23 and '24.

One of the things that I think I consider success, although it's kind of in the midpoint here, so it's an in progress, is the Marine Corps. Not only because they're going into standalone audit, which we gave a two-year timeframe for, but they migrated to DAI financial system, and they did so in a very rapid amount of time and just sat through a little bit of an AAR with the Marine Corps yesterday on how they did, what do we have to do to get better for next year. Although it doesn't show up as a check mark or a green light, I think the Marine Corps is making an enormous amount of progress.

But aside from the actual entities getting clean opinions, which really was relatively unchanged, we did close a few material weaknesses, oversight and monitoring and internal controls for the Air Force Working Capital Fund. Defense Health Program closed their general equipment that showed weakness. NSA closed one for financial reporting. Another one I want to highlight too, because a lot of these are going to be lessons learned and best practices for others going forward, but the Navy General Fund downgraded their material weakness on the environmental and disposal liabilities to significant deficiency.

I think that reflects a lot of hard work on the part of the Navy, and I think we've got some lessons learned from that. I also point out, there were a couple areas where I know significant progress has been made. For example, the Air Force with their Fund Balance with Treasury reconciliation didn't quite get that, they just downgraded, but they've made significant progress. I'm very optimistic that they'll have success here in '23. We are ambitious about '23 going forward on the number of material weaknesses that we can downgrade. We're probably setting that goal up in the twenties range.

And then you'll say, "Wow! You only had three this year." I said, "Well, we're shooting high," but I think that's something you got to do. You got to set some lofty goals here in order to motivate our teams to get there. I'm excited about '23. I think we continually learn, and this is the biggest benefit I think from the audit in '22 is just the takeaways that we have from the IPAs and from some of

our trading partners and just working together closely and continue to look at techniques and procedures that we can to move the needle. Again, excited about '23.

TOM RHOADS:

Thank you, Mr. Steffens. With the complexity and the size and scale of the Department of Defense, those closures of those NFRs is great progress. Congratulations for that and looking forward to fiscal year '23. The DoD just recently released its financial management strategy in fiscal year '22. How does the FM strategy complement the DoD audit efforts?

TOM STEFFENS:

First of all, let me say, I applaud Honorable McCord, Honorable Miller for releasing the financial management strategy this year. I was still with the Corps of Engineers when it came out, but I thought it was a document long overdue and very helpful supporting our audit initiatives. It's very complementary. I'd highlight really of the five goals, I'll just take a look at three of them here that are for sure, as I mentioned, complementary. The first goal is to cultivate a skilled and inspired FM workforce. We absolutely have to have that in order to achieve what I call is integrity in our financial reporting. I know we all talk about it as the audit, but the audit is the byproduct.

The goal here is integrity in our financial reporting. You can't have that unless you have trained professionally competent personnel. I think that the FM Certification Program is vitally important to do that. It's also just to make sure that we have environment in place and workplace policies that support and attract the best people, whether they're coming out of college, or whether we can get them from other organizations within the federal government, or we get them from industry. I have examples here in the last even eight months where we've done all of the above. That trained and ready workforce is foundational.

The other two goals I'd like to focus on, first is to simplify and optimize our end-to-end business environment. You hear all about that we need new ERPs and automated solutions in order for us to achieve auditability. But if you don't have a well-defined mapped end-to-end business process prior to that, it's like trying to build a house without a blueprint. We have got to come to terms on that in developing that. In some cases too, with an ERP that comes out and some of these ERPs have COTS products, there's limitations to them, where in some cases the business process may have to be adopted.

But we have to come to terms with that early on when we are adopting these systems. That well-defined business process is essential. The third of the five goals that I mentioned too, and this one's kind of emerging in it, but it's becoming more vitally important, and that's the empowered data driven, fiscally informed decision-making. We have, and I think all you'll agree, over the last several years an emergence of tools that help us better optimize data, I'll say exploit data, to the benefit of not only the audit, but just for measuring financial performance overall. Advana has taken center stage here. I think we are just at the tip of the iceberg in being able to capitalize on Advana and what it can do for us.

I think, again, the strategy was long overdue. I think it complements the audit immensely. But more importantly, it complements the overall success of our financial operations and our financial reporting integrity.

TOM RHOADS: Thank you, Mr. Steffens. Wanted to see if we could change direction just a little bit now and talk about leadership. Leadership is important in any role, but especially in DoD financial management. Can you share with us about your leadership philosophy and how you share that philosophy with your team?

TOM STEFFENS: Sure, absolutely. I do feel it's essentially important. Leadership, it really complements that first strategic goal about cultivating a skilled and inspired workforce, because leadership is a complement to that. I mentioned I had 27 years in the Army earlier. When I was about to become a battalion commander, take my battalion actually into Iraq to perform a financial management mission, I had to go to this pre-com command course, and they said, "Well, you need to have what's called a commander's philosophy." I said, "Interesting. What's that?"

Well, it's an opportunity for you to explain to your personnel, those people who work for you, what's important to you, what you value, and so that they can at least be aware of that and it synchronizes your priorities. They requested that you write one at the conclusion of this course. I did. I actually stayed at the end of school one day at the class there and started mapping this thing out. Hey, what's important to me? I did a lot of thought behind it. I finished it or finished most of it on the plane ride back home to Washington. I put this in my pocket. I used it about three months later when I went out to at the time was Fort Lewis Washington shortly before we headed down range.

I went over this philosophy with them. This was almost 20 years ago. Over the years, I've held onto this thing. It's not a commander's philosophy for me anymore because that was the last time I was a commander, but it's a leader's philosophy. Everybody in this business is a leader. Whether you're leading people or you have a significant responsibility for resources, everybody is a leader. But it's vitally important if you're supervising people to have this leader philosophy. I'll go over that real quick because I think a lot of this really complements again what we're trying to do and the success we're trying to achieve in integrity of financial reporting.

First one is absolutely foundational, it's integrity. You can make a lot of mistakes and we can have trial and error for a long period of time, but violations of integrity are really hard to repair from. I tell my people that every person who comes into my office is a new employee. I sit down with them for about 45 minutes and we go over this philosophy and we talk about integrity. It doesn't matter whether you're in financial, whether you're leading troops in combat, whether you're a logistician, or you're reporting to Congress, the integrity is foundational. Don't mortgage that. Don't let that degrade at all.

Because once you lose some of that or it's weakened, it's very hard to strengthen or get back. With that, the second one, almost equally as foundational is dignity and respect. This day and age, you hear the news, you just see an environment very often that lacks, in my opinion, dignity and respect. We may disagree and my team and I may disagree on something or my counterparts in the service components, but I assure everyone that they will get treated with dignity and respect, and I expect the same for everyone. The golden rule is important. And with that dignity and respect, I include the respect for diversity, equity, and inclusion of our workforce. Diversity takes many forms.

Obviously, I espouse very closely to our common forms of diversity that we discuss very frequently whether it be ethnicity, race, gender, orientation. But it goes beyond that. It's diversity of thought. I was a financial manager and very often in my career I had to work with folks who were infantry and engineers and we had to develop that mutual respect for what we all brought to the table. I do the same here. The accountants and the budgeteers have to have mutual respect for each other. Whether you're in acquisition or financial or CIO, we all have to have mutual respect for the roles that we play in advancing success for our organizations.

That dignity and respect is vitally important. Hand in hand with that is standards of performance. We've got to ensure standards of performance, and that ensures that we are treating people fairly. We measure people not by who they are, but it's by how they perform and the results that we're producing for our organization. I go into a lot of discussion about communication, the fourth one, in terms of this day and age, with all these tools that we have of communicating, whether it's IM or Teams. When I came in the Army, we didn't even have email at that time. It didn't exist. We've come such a long way, but we still can't communicate.

Why? It's not a communication problem, it's a listening problem. I teach folks, please focus on listening, hearing what the other person has to say. Vitally important. Stewardship. Stewardship is number five. It's also I consider as foundational, especially in the business that we're in. As financial managers, we're expected to be stewards of resources. But it goes beyond that. You've got to be stewards of people's time. I could spend an hour talking to you just about this one because it really is an emotional one for me. The way of treating people with dignity and respect is respect for their time.

I can always go out and get more money and get more resources if I need more manpower, I need another contract, but you can never get more time. The 20 or 30 minutes you spend with me on this podcast, God help the people who are going to listen to this thing, they're going to listen to this and hopefully they're going to think this is a good use of their time. Think of time as an investment. The last two I talk about are focused on working and developing your team. Maybe I can talk about this at the very end here, but very important you have to do that. That's part of that leadership and developing your team.

And then finally, you got to have a sense of balance here. You got to enjoy what you're doing. You got to have fun. I can tell you, I have fun every day coming in here. Some days are more challenging than others, but this task is challenging. But I always try to approach this thing every day with a little bit of a sense of humor in everything that we do. That's important not only for me, but for the people who work for me too. It creates that environment where we're relaxed, and we enjoy coming to work every day.

TOM RHOADS:

Thanks for sharing that with us, Mr. Steffens. I could see a book in your future. Those are really great principles and philosophies around leadership. I think you're right. When we come to work and we're solving complex problems with passionate people, it makes a great work environment. If we enjoy it, we never really work a day in our lives. Thank you for sharing that. We like to wrap up each episode with some advice for early careers that are listening. Knowing what you know now, what advice would you share with those who are just starting out their careers?

TOM STEFFENS:

Thanks for the chance to answer this one, because I do think about this often too. From a selfish perspective, how do we recruit and retain quality folks and develop them? I tell folks a couple things. When you come on board to an organization, obviously respect for the organization and the hierarchy and everything that goes with that. But at the same time, ask questions. Don't be afraid to ask questions, particularly with your immediate supervisor. If something's being done, ask why. Two reasons. Sometimes some generations have a hard time with this, but I think it's vitally important.

Ask why. Two reasons. One, we might not have it right as the person who's putting out this policy or something. And number two, it's for clarification to make sure we're on the same sheet of music. Don't be afraid to ask questions on what we're doing. Now, I will tell you that I entertained discussion on a number of topics, and we can question, and we can challenge and that's healthy. But I have this mug in my office and it's got two sides to it. The one side says, "Great idea," because we want to continue that innovation and thought and questioning. But there comes a point in time where we've got to reach a decision.

The other side of the mug says, "Shut up and color." maybe that's too strong a term, but there is a balance between that. Once we do deliberate and we have a very healthy discussion, then we all got to be supportive and move forward. I think that's important about asking the questions. The second thing, because a lot of people ask me and go, "What professional development opportunities can I do," and they think of that in many terms as going to a long-term training or institutional training. I say, "Hey, the first thing you got to do I say is raise your hand."

Raise your hand, meaning that you could have a supervisor who's gone out maybe on maternity leave or they've got to take a leave of absence for some reason. Rather they're going to be TDY themselves for an extended period of

time. Offer to fill in. Offer to be available and say, "I can do this in an acting role." If there's a committee that's getting together an integrated process team for a particular function that we have to get after, volunteer to be a part of that team. Be the rep for your organization because you'll learn from each other. When you fill in that supervisory position, you're going to learn the job.

That's the best form professional development that you can get. I'd say raise your hand and get out of your comfort zone. Take assignments. A lot of people say, "Well, hey, I was a military guy and that's why you got these opportunities." I said, "Well, maybe that may be true to some degree, because over many years, I was forced to go some places. I got a piece of paper and said go." Sometimes you got to create those opportunities. If a position comes open and maybe that requires a geographical relocation, think about it and do it. Get out of your comfort zone. If you really want to advance, you got to take advantage of these enriching opportunities.

And then I think that overall, just be frank with your leadership about what your goals are. One thing I try to do, I sit down with my folks each year during their birthday month and we just have a half hour chat. We talk about anything you want. But the one question I try to ask folks is, where do you want to be five years from now? And have a plan and then discuss that with your supervisor because they can help you provide a roadmap to some of those things that you need to do to get to the next level.

Anyway, those are a few things I would offer to the folks that are coming on board is to don't be afraid to ask questions, raise your hand, volunteer, and have a frank discussion with your immediate supervisor on what your goals and aspirations are.

TOM RHOADS: Those are great feedback, Mr. Steffens. I know how busy you are. Just want to thank you for your time today.

TOM STEFFENS: Thank you. I really appreciate the opportunity. Again, I value these, what you're doing, obviously for all topics, audit, budget, and I know you have a real plethora of personnel who participate in these. I applaud the effort.

TOM RHOADS: Thank you, Mr. Steffens.

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