

NOMINATION OF MARK W. EVERSON

HEARING

BEFORE THE

COMMITTEE ON
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

ONE HUNDRED SEVENTH CONGRESS

FIRST SESSION

ON THE

NOMINATION OF MARK W. EVERSON TO BE CONTROLLER, OFFICE OF
FEDERAL FINANCIAL MANAGEMENT, OFFICE OF MANAGEMENT AND
BUDGET

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OCTOBER 11, 2001
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**NOMINATION OF MARK W. EVERSON TO BE
CONTROLLER, OFFICE OF FEDERAL FINAN-
CIAL MANAGEMENT, OFFICE OF MANAGE-
MENT AND BUDGET**

THURSDAY, OCTOBER 11, 2001

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

The Committee met, pursuant to notice, at 9:35 a.m., in SD-342, Dirksen Senate Office Building, Hon. Joseph I. Lieberman, Chairman of the Committee, presiding.

Present: Senators Lieberman, Thompson, and Bunning.

OPENING STATEMENT OF SENATOR LIEBERMAN

Chairman LIEBERMAN. Good morning. Welcome to the hearing today. We are considering your nomination, Mr. Everson, to be the Controller of the Office of Federal Financial Management at the OMB, which, as you know, means you would be overseeing the financial management of all agencies in the executive branch. This is a tall order under any circumstance, but I do want to just take a moment to say that I think the next controller has an additional set of challenges, because the current financial—good morning, Senator Thompson.

Senator THOMPSON. Good morning.

Chairman LIEBERMAN [continuing]. Current financial condition of many agencies within the Federal Government is unacceptable because of inadequate financial systems and controls. The GAO, as you probably know, has identified financial management at the Department of Defense, the Forest Service, the Federal Aviation Administration and the IRS as high-risk because of the significant systemic problems within those agencies.

More specifically, many agencies are using outdated systems that cannot provide the kind of timely and accurate information federal managers need today for daily decision-making. Efforts are underway, I know, to upgrade those systems, but this is a major undertaking that involves a substantial commitment of time. The fact is that the financial systems in place at many agencies do not comply with the most basic accounting standards.

Again, progress has been made and is being made, but some major agencies still cannot produce an auditable financial statement, showing the agency's financial position at the end of the year, and those flaws naturally have a ripple effect. The ineffective systems at many agencies prevent them from tracking and report-

ing progress on performance goals under the Government Performance and Results Act. Accurate and reliable performance data, of course, are basic to making proper decisions about which programs are meeting the objectives that are set down for them.

In some cases, the damage is actually even more costly. The Committee has been particularly concerned about improper payments that agencies estimate that they have made in recent years, which caused a major loss of funds that the government should and could otherwise be using for certainly better purposes. So we need real strong leadership within the controller's office to enforce financial accounting standards throughout the executive branch to supervise the implementation of new systems and to guide agencies in tracking and reporting their assets and obligations. The President's management agenda places a high priority on improving the government's financial performance, and hopefully this will be incentive for significant improvements in this area.

Mr. Everson, I have reviewed your background, which is impressive. I have reviewed your responses to the Committee's pre-hearing questions, and I appreciate your thoughtfulness. I know you have had a lot of experience managing the finances of two major corporations, which will help you as you come into the Federal Government, but these are different and important challenges that will test your skills. Having seen most significantly in your background that you are a graduate of Yale University, I know that you will meet every challenge that you face, and I welcome you to the Committee this morning. Your nomination is certainly on track, and I look forward to working with you in the coming years.

Senator Thompson.

OPENING STATEMENT OF SENATOR THOMPSON

Senator THOMPSON. Yes, thank you, Mr. Chairman. This is a very important position, as we all know, and I appreciate your scheduling this hearing today so that we can get Mr. Everson in place. Recently, the General Accounting Office released a report required under the Federal Financial Management Improvement Act that detailed the poor state of the Nation's financial management systems. In that report the GAO said: "Most agencies' financial management systems are unable to routinely produce timely, reliable and useful information. Having such financial information is the goal of the Federal Financial Managers Improvement Act and the Chief Financial Officers Act. Agency managers and other decision-makers need this information for managing day-to-day operations effectively, efficiently and economically, measuring program performance, executing the budget, maintaining accountability and preparing financial statements."

Unfortunately, we just seem to be unable to do it. We have been trying to get the Nation's financial management cleaned up for many years now, and progress has been very slow, to say the least. There has been some progress. Although few agencies have systems in place that can routinely provide reliable financial information, many more are able to produce auditable financial statements even if it is 6 months after the end of the year.

Last year, 18 of 24 Federal agencies received clean opinions on their financial statements. Next year, we trust we will see even

greater progress. The person we will be looking to, to make that happen, is the Nation's Controller, the director of the Office of Federal Financial Management. The President has nominated Mark Everson for this position, and after knowing him only briefly I think the President has made a very wise choice.

Mr. Everson has a master's degree in accounting from New York University Business School, and a bachelor's degree from Yale. He has 25 years of experience in both business and government, holding positions of leadership at Arthur Andersen, the Department of Justice, the United States Information Agency, the American National Can Company, and most recently with Sky Chef International.

Mr. Chairman, Mr. Everson has more experience in financial management than we have had in the Office of Federal Financial Management for many years, and he will need every bit of that experience to keep up the momentum in improving the government's financial management. Let me just say that we cannot afford to lose the momentum that we have gained in improving Federal financial management because of the current crisis. Agencies, especially those like the Department of Defense and State, need to know now more than ever just how much money they have, where the assets are and whether they are getting what they paid for.

We are going to have billions and billions of dollars flowing around this town, in addition to what we normally have, and it is going to be extremely important that we have the financial management systems in place to know that taxpayers know that this money is not being wasted. So I support Mr. Everson's nomination without reservation and look forward to working with him as we make progress on this front in the years ahead.

Thank you, Mr. Chairman.

Chairman LIEBERMAN. Thank you, Senator Thompson.

Senator Bunning.

OPENING STATEMENT OF SENATOR BUNNING

Senator BUNNING. Thank you, Mr. Chairman. I recently had the opportunity and privilege to meet with Mr. Everson in my office last week. I thought our meeting went quite well.

The Office of Federal Financial Management is the Executive Branch's central office for developing financial management policy for the Federal Government. The office is responsible for several key functions, including financial management planning, financial management systems, accounting integrity and accountability. Mr. Everson has a varied background, working in both the public and private sectors, as my two colleagues have already said, along with working overseas. I look forward to hearing his perspective on serving as Controller at the Office of Federal Financial Management and the challenges he expects to face.

My advice to Mr. Everson, whether you like it or not, it is as to all those who testify and serve, please always tell us the truth and be brutally honest with us no matter what. Without the truth there is no trust, and without trust there is no point in any of this.

I thank you, Mr. Chairman.

Chairman LIEBERMAN. Thanks, Senator Bunning.

For the record, Mr. Everson has submitted responses to biographical and financial questionnaires, has answered pre-hearing questions submitted by the Committee and additional questions from individual Senators, and has had his financial statement reviewed by the Office of Government Ethics. Without objection, this information will be made part of the hearing record, with the exception of the financial data, which is on file and available for inspection in the Committee's offices. In addition, the FBI file has been reviewed by Senator Thompson's and our staff, pursuant to Committee rules.

Chairman LIEBERMAN. Mr. Everson, before we proceed, I would like to give you an opportunity to introduce any family members that may be in the audience this morning.

Mr. EVERSON. Yes, sir. I would like to introduce my wife, Nannette, and as you indicated, a fellow Yale graduate. She was a little modest when you asked her what she does. In addition to being—right now—a full-time mom, she is an attorney and was working until we came up here from Dallas. I would point out that, while I just sort of got through Yale, she was phi beta kappa.

Chairman LIEBERMAN. Hear. Hear. It was obvious to me when I met her. [Laughter.]

Mr. EVERSON. In addition, really we have three children. Our first is a foster daughter, a Cambodian refugee who came into our lives when we were—when I was with INS, and actually her family came from—obviously, from the camps in Thailand, after they fled Cambodia, and she lost her dad to Pol Pot. I became her dad, and Nannette a second mom. She cannot be with us today. She is married and has her own children now in Illinois. Our son, Leonard, is off in school. He goes to boarding school in Scotland. So subbing for them is Emma, who is a sixth grader at St. Agnes in Arlington.

Chairman LIEBERMAN. Great. Welcome to both of you. Thank you for being here. Thank you for supporting your husband and dad.

Mr. Everson, our Committee rules require that all witnesses at nomination hearings give their testimony under oath, so would you please rise 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. EVERSON. I do.

Chairman LIEBERMAN. Thank you very much. Please be seated. If you have a statement, now would be the time to make it.

TESTIMONY OF MARK W. EVERSON,¹ TO BE CONTROLLER, OFFICE OF FEDERAL FINANCIAL MANAGEMENT, OFFICE OF MANAGEMENT AND BUDGET

Mr. EVERSON. Yes, I do. It is brief. Good morning, Mr. Chairman, Senator Thompson, Senator Bunning. As you know, my name is Mark Everson and I am the President's nominee to become the Controller of the Office of Federal Financial Management within OMB. The Chief Financial Officers Act of 1990 is definitive in vesting lead responsibility for federal financial management in one entity. The sphere of influence of the Office of Federal Financial Man-

¹The biographical and financial information appears in the Appendix on page 11.

²Pre-hearing questions and responses from Mr. Everson appear in the Appendix on page 18.

agement, and of the controller who heads it, is limited to financial management, but extends to all its elements: Human, systems, processes and policies. This portfolio is significant in its own right, but it is also a central component of the overall management responsibilities of OMB.

I believe that in order to function efficiently and to deliver desired results, an organization must be well managed in all regards. Strong management, including sound financial management, is a *sine qua non* for sustained achievement. This is as true in government as in the private sector, and it is why improved government management must continue to be an area of focus even and perhaps especially now, when the stakes of an effective government are so high.

When Mitch Daniels raised with me some months ago the possibility of joining his team at OMB, I, of course, in no way imagined the extraordinary events that were fast approaching. Let me close by saying that I believe it is always an honor to serve in government. However, I think it is a distinct privilege to be nominated by the President and to be considered by the Senate to serve at this time in our Nation's history. If confirmed, relying in no small measure upon the support of my wife, Nanette, and my family, I will do my utmost to successfully meet the responsibilities of the Office of Controller.

Thank you.

Chairman LIEBERMAN. Thanks, Mr. Everson, for an excellent statement. I am going to start by asking you certain questions that we ask of all nominees. First, is there anything 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. EVERSON. No, sir.

Chairman LIEBERMAN. Do you know of anything personal or otherwise which would in any way prevent you from fully and honorably discharging the responsibilities of Controller of OMB?

Mr. EVERSON. No, sir.

Chairman LIEBERMAN. Do you agree to respond to any reasonable summons to appear and testify before any duly-constituted Committee of Congress if you are confirmed?

Mr. EVERSON. I do.

Chairman LIEBERMAN. Thank you. Let me just ask a couple of questions. In my brief opening statement I mentioned that the financial management systems in four agencies have been designated as high-risk by GAO because of severe problems they face. These difficulties are probably most acute at the Department of Defense, given the department's vast size and resources, but those at the Forest Service, FAA and IRS are also significant.

I wonder what do you think as you approach the new responsibilities it will take to remove these agencies from the high-risk list, and what role you see for yourself as controller in bringing that about?

Mr. EVERSON. Obviously, you have to attack these issues generically, across the government, and set high standards, and then you do have to work with targeted agencies. The list would go, I would suggest, beyond the four that you have mentioned, because as you

delve into this area, and you mentioned systems particularly, there are other agencies that have acute problems in those areas.

I think that what OMB has tried to do is to move forward to articulate firmer and clearer standards in the area of systems development. There is something you may be familiar with called the JFMIP, the Joint Financial Management Improvement Program. That is a joint operation established by GAO, Treasury, OMB and OPM. That is a group that has started to set standards for all these systems, so that the vendors know what they have to meet. As those newer systems come into operation, I think things will improve.

As to individual agencies, obviously the controller and OMB must intervene directly with the ones that have the greatest problems. You can set standards, and I believe in setting a high standard, and most organizations will attempt to meet those standards. Remedial or repair work requires personal intervention, and I will have to do that.

Chairman LIEBERMAN. I appreciate the answer. Another issue that has been of concern to the Committee involves the amount of improper payments made each year by Federal agencies to beneficiaries, grant recipients or vendors. These can be the result of fraud or a mistake or mismanagement. GAO reported that for fiscal year 1999, 12 of the largest agencies in the government estimated making over \$20 billion in improper payments. You may know that Senator Thompson and I sent letters to these largest agencies and to their IGs earlier this year, asking them what they were doing to address this problem.

OMB recently issued guidance to agencies directing them to estimate and report the amount of their improper payments, but did not specifically offer suggestions on how they should do this. So I wanted to give you a chance to talk to us just a bit about what you might do if confirmed as controller to help agencies fill in these gaps, and if you would consider reporting to Congress on the amount of improper payments reported by the agencies and the extent to which they are meeting their targets to reduce them, so we can make incentives here as specific as possible.

Mr. EVERSON. Yes, and, of course, we will report on how we do in this area. As I think you also know, improved financial management, as you mentioned, is one of the five government-wide objectives that the President has established as part of his management agenda, and embedded within the improve financial management initiation is a very clear component to address erroneous payments. What OMB has done as part of the spring instructions for the preparation of the budget, as you indicated, was to request an estimate by a series of agencies that cover a total of about \$1.2 trillion of the programmatic funds of the government we asked them to estimate what they believe is a baseline rate on erroneous payments, to develop plans to attack this, and to basically work with us to get going on it.

Those submissions are just coming in now. They will be analyzed by the Office of Federal Financial Management. One of the questions that the Committee directed to me in the pre-hearing process was, as you just indicated, would you be more specific perhaps after you have received those responses—of course we will. If we

see trends or common problems or more importantly, common solutions, we will issue appropriate guidance. I would suspect that this also would be a topic of the Chief Financial Officers Council, so that we can make sure there is a sharing of information and that what works one place is put into effect somewhere else.

Chairman LIEBERMAN.: Good. Well, we look forward to working with you on that important matter and being able to support in any way we can. Thanks.

Senator Thompson.

Senator THOMPSON. Thank you very much, Mr. Chairman. Mr. Chairman, I think you touched on the major concerns that I have. This figure you mentioned of \$20 billion, as you point out, is just 12 agencies, so we have no idea how large the total figure of improper payments is in the government. But that is really mind-boggling in some respects to know that in relatively few agencies there are \$20 billion of improper payments going out at a time when we are obviously going to be very concerned about spending our surpluses and whether or not we are going to have a surplus anymore. Improper payments alone in government might make the difference. I was surprised to learn that we do not even require agencies to make reports as to their improper payments.

Mr. EVERSON. Yes.

Senator THOMPSON. We criticize these agencies for their improper payments, but at least they are reporting it, and they are not even required to do that, as I understand it. I understand that the OMB has put into place some methods that hopefully will be used to better estimate erroneous payment rates, but what about from a big picture standpoint? Do you think that either OMB or Congress, through legislation should require all agencies to keep up with it and make these estimates and determinations as to what the payments are, as a basis for trying to figure out a way to reduce the numbers?

Mr. EVERSON. Well, Senator, I think that, in essence, that is what we are moving toward with this request that we made as part of the 2003 budget submission, and certainly we are not going to let go of it. We are going to embed that as part of the ongoing reporting. To attack this, though, I would suggest that true progress will come when you have addressed a lot of the broader issues that you and your colleagues have already discussed, in terms of systems, overall internal controls.

You cannot attack this area to the exclusion of others. So we will work to improve the overall controls, and this will be, I would suggest to you, a leading indicator if we are making progress.

Senator THOMPSON. That makes a certain amount of sense. I guess it is difficult for me to see which is the best way to even begin to approach it. You could make a lot of progress in terms of your overall systems, but we would still have billions of dollars going out the door that should not, and we would still be in a situation where we would not really know how much was being improperly spent. But, along those lines of your systems, one of the things that, we have been concerned about is, as the Chairman mentioned, the inability for agencies to get clean opinions. We are making some progress on that; 18 of 24 now are able to get clean opinions, but according to the GAO, at least 19 of 24 have in place such

poor financial systems that they are unable to provide managers with information to guide their decision-making.

There is a reason for this, other than to just have a hearing or an assessment. It is designed to give managers a tool to use and to see how they are doing. What we are seeing now is that when we ask them for clean financial statements, they come up with them. I guess they figure that we will never be happy, but we are learning that even though more and more are coming up with clean financial statements, they are doing it by heroic efforts at the end of the year crunching a bunch of numbers after the fact. They are still late many times, and they finally come up with a so-called clean statement. But it has provided them with no management tool during that year to use as they try to manage these agencies.

Is that a correct assessment? How do we move from focusing on just getting clean opinions to ensuring that agencies have systems in place that a manager can use?

Mr. EVERSON. I agree entirely with that assessment, and I know that Director Daniels does, as well, and the Comptroller General. We have had discussions on just this very challenge. I think what has happened over the last 4 years, as the government has issued statements and they have been audited by GAO, is that a great deal of progress has been made through that understandable flag of a go, no-go audit. But, as you point out, the audit timing is much-delayed. It is five or 6 months after the fact.

The only way you can get to where you have useful, timely information that supports decision-making is if you reform the business processes and the management. Our answer to that, if you will, is to set a more ambitious standard for accelerating those dates of when reporting is due, putting in interim reporting and, if you will, forcing the agencies to address those underlying business process and systems issues, because you will not meet accelerated deadlines through heroic efforts. You will have to reform the way you work, and when you reform the way you work, you will add in performance reporting and just what you are talking about, Senator, in terms of supporting the policy makers.

Senator THOMPSON. Thank you very much. I have talked to you and others at OMB about this, and I must say I am greatly encouraged by what I hear. It seems to me that it gets down to a pretty simple formula, and that is leadership, accountability and flexibility. You have to have somebody at the top saying this is important, and you have to have some response when it does not work and people do not get the job done, and within that, you have to have the ability to do what you need to do in order to get the job done. You need to come to us and tell us what you need in terms of the flexibility to accomplish that. But I think that your thinking is on the right track on all those things, and I appreciate it. Thank you very much.

Mr. EVERSON. Thank you.

Chairman LIEBERMAN. Thanks, Senator Thompson. Senator Bunning.

Senator BUNNING. Thank you. I do not have a lot of questions. It seems to me if my Senate office or Senator Thompson's or Senator Lieberman's offices get a budget, X amount of dollars to spend over fiscal year 2001, 2002, to keep track of that money is not com-

plicated. If we can figure out how much we can pay our staffs and how many dollars we can use for travel, it seems to me that each agency of the Federal Government ought to be able to do that.

It is mind-boggling to me that—we are just talking about 1999 now—that 12 agencies cannot account for overpayments of \$20 billion. What was that in the year 2000? What was that in the year 2001? If you come back to me in the year 2002 or 2003 and say, “Oh, by the way, we cannot account for \$40 billion,” I am going to be very upset, along with, I am sure, the Chairman and the ranking member. So I would suggest that all the systems and all the things that you can control, and know up front so that the managers of those agencies know exactly what they are dealing with, that seems to me the most important thing that we could do as a Congress, and your job as the chief financial officer of OMB. So I am going to hold your feet to the fire.

Mr. EVERSON. I welcome that, sir.

Senator BUNNING. If you come back and tell us that, “By the way, in 2000 and 2001, it not only was 20, but it went to 30 and 40,” and now, when your watch comes, I want to see that go the other way and shrink. You have the wherewithal, you have the knowledge, you have the background, education, and everything you need to do it. It is just a question of making sure that you do it, and I wish you godspeed.

Mr. EVERSON. Thank you, sir.

Senator BUNNING. Thank you.

Chairman LIEBERMAN. Thanks, Senator Bunning.

Mr. Everson, I do not know how well you know Senator Bunning. He is a very good Senator. He is a very good man. In my experience with him, I would say he is a man you do not want to upset, and I am sure you will try your best not to. [Laughter.]

Senator THOMPSON. Batters in the National League came to that conclusion.

Chairman LIEBERMAN. Right.

Thanks so much for your testimony. Your daughter has one of the most captivating, adorable smiles that I have seen in recent memory, so she will carry you through a lot of the tough days in this job.

This completes the hearing. The record is going to remain open for the rest of today for the submission of written questions for the nominee and any written statements for the record. We will try real hard to try to move your nomination out of Committee and to the Senate floor and through confirmation as soon as we possibly can. I thank you very much.

The Committee stands in recess.

[Whereupon, at 10:05 a.m., the Committee was adjourned.]

APPENDIX

BIOGRAPHICAL AND FINANCIAL INFORMATION REQUESTED OF NOMINEES

A. BIOGRAPHICAL INFORMATION

1. **Name:** (Include any former names used.)
Mark W. Everson
2. **Position to which nominated:**
Controller, Office of Federal Financial Management, Office of Management and Budget
3. **Date of nomination:**
September 14, 2001
4. **Address:** (List current place of residence and office addresses.)

Office of Management and Budget
17th and Pennsylvania Avenue, NW
Washington, DC 20503
5. **Date and place of birth:**
September 10, 1954
New York, New York
6. **Marital status:** (Include maiden name of wife or husband's name.)
Married to Nanette (nee Rutka) Everson
7. **Names and ages of children:**

8. **Education:** List secondary and higher education institutions, dates attended, degree received and date degree granted.
Phillips Exeter Academy, 9/68 to 6/71, Diploma, 6/71
Yale University, 9/72 to 5/76, B. A. (History), 5/76
New York University -- Business School, 6/76 to 9/77, M.S. (Accounting), 9/77

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.)

See Attachment I

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 currently or formerly 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.

None other than those positions listed on Attachment I

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

In 1993-1995, I served on an honorary council of Indiana executives which advised the President of the Hudson Institute. For a number of years, I have been a member of the President's Club of the Heritage Foundation.

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.

Elected in 1989 and served for one year as community representative to an elementary school local school council in Chicago.

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

Member of Texas Republican Party, 2000-2001

- (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.

2000- \$1000 to Bush-Cheney Compliance Committee
\$500 to Newton for Congress
\$75 to Texas Republican Party
1999- \$1000 to Bush for President primary campaign
1998- \$500 to Bush for Texas Governor

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

U.S. Department of Justice, Attorney General's Award for Distinguished Service, 1987

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

None

- 16. **Speeches:** Provide the Committee with four 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.

None

- 17. **Selection:**

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

The Chief Financial Officers Act of 1990 stipulates that the Controller possess "(1) demonstrated ability and practical experience in accounting, financial management, and financial systems; and (2) extensive practical experience in financial management in large governmental or business entities." I believe I was selected for this position because I meet these criteria.

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

I have twenty five years of experience in both business and government. Most of my assignments have been in finance, but I have held operating positions as well. I have lived and worked overseas in both developed (France) and developing (Turkey) countries. I believe I have the technical background

required in order to come up to speed quickly in this post, and a broad base of experience which will be beneficial in tackling a position of this scope.

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?

I resigned my position at SC International Services, Inc. on August 3, 2001, and have no other such connections.

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, at the pleasure of the President.

C. POTENTIAL CONFLICTS OF INTEREST

1. 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

2. 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 other than while in a federal government capacity.

None

3. 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 ever 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

2. To your knowledge, have you ever been investigated, arrested, charged or convicted (including pleas of guilty or nolo contendere) by any federal, State, or other law enforcement authority for violation of any federal, State, county or municipal law, other than a minor traffic offense? If so, provide details.

No

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

I have never been individually named or a party to any administrative proceeding or civil litigation. However, during my period of employment with SC International Services, Inc. and affiliates, the company and its affiliates were party to a number of administrative agency proceedings and civil litigation matters. The matters in question were normal for a corporation of its size. No specific matters were disclosed in the company's financial statements because they were not material. (It should be noted that the company's outside auditors review all legal matters with outside legal counsel during the annual audit process to determine whether any such matters require disclosure. None did.)

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

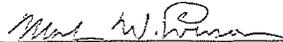
None

E. FINANCIAL DATA

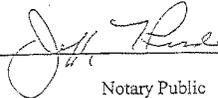
Financial Data maintained on file in Committee offices.

AFFIDAVIT

MARC W. EVERS 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.



Subscribed and sworn before me this 25TH day of SEPTEMBER, 2001


Notary Public

Jeffrey T. Perrell
Notary Public, District of Columbia
My Commission Expires 07-14-2005

Attachment I
Mark W. Everson
Employment Record

August 2001 to present—United States Government, Washington, DC. Consultant to the Director, Office of Management and Budget, Executive Office of the President.

October 1998 to August 2001—SC International Services, Inc., Arlington, Texas. Served as Vice President-Finance and Controller until February 2001; then as Group Vice President-Finance.

July 1988 to September 1998—Pechiney Group/American National Can Company. Served as Plant Manager of Chicago, Illinois can manufacturing factory until February 1991; then as Managing Director of subsidiary in Manisa, Turkey from March 1991 until May 1993; Vice President and Controller of glass container division in Marion, Indiana from May 1993 until April 1995; Vice President-Control of Pechiney Group in Paris, France from April 1995 until April 1997; and then Senior Vice President-Control from April 1997 until September 1998, also in Paris.

July 1982 to July 1988—United States Government, Washington, DC. From July 1982 to May 1985, served as Special Assistant to the Director and then Assistant Director of the United States Information Agency. Served in the Department of Justice from May 1985 until July 1988, first as Special Assistant to the Attorney General until July 1986, and subsequently as Executive Associate Commissioner and then Deputy Commissioner of the Immigration and Naturalization Service until July 1988.

September 1976 to July 1982—Arthur Andersen and Co., New York, New York. Staff Auditor, then Senior Auditor, then Audit Manager.

**Pre-hearing Questionnaire for the
Nomination of Mark Everson to be
Controller, Office of Management and Budget**

I. Nomination Process and Conflicts of Interest

1. Why do you believe the President nominated you to serve as Controller, in charge of the Office of Federal Financial Management (OFFM) within the Office of Management and Budget (OMB)?

The Chief Financial Officers Act of 1990 stipulates that the Controller possess “(1) demonstrated ability and practical experience in accounting, financial management, and financial systems; and (2) extensive practical experience in financial management in large governmental or business entities.” I believe I was selected for this position because I meet these criteria.

2. Were any conditions, expressed or implied, attached to your nomination? If so, please explain.

None.

3. What specific background and experience affirmatively qualifies you to be Controller? Please describe your background and experience in relation to the Controller’s role.

I have 25 years of experience in both business and government. Most of my assignments have been in finance, but I have held operating positions as well. I have lived and worked overseas in both developed (France) and developing (Turkey) countries. I believe I have the technical background required in order to come up to speed quickly in this post, and a broad base of experience which will be beneficial in tackling a position of this scope. As to educational credentials, I have a Masters of Science in Accounting from the New York University Business School, which provided the technical foundation for my career (together with my work as a Certified Public Accountant at Arthur Andersen & Co.). My study of history at Yale helped develop a capacity to objectively assess often conflicting views of events and problems – something also central to management in general and the position of Controller in particular.

4. Have you made any commitments with respect to the policies and principles you will attempt to implement as Controller? If so, what are they and to whom have the commitments been made?

None.

5. If confirmed, are there any issues from which you may have to recuse or disqualify

yourself because of a conflict of interest or the appearance of a conflict of interest? If so, please explain what procedures you will use to carry out such a recusal or disqualification.

None.

II. Role and Responsibilities of the Controller

1. How do you view the role of Controller and of OFFM?

The Chief Financial Officers Act of 1990 (CFO Act) was definitive in vesting responsibility for federal financial management in one entity, a newly established Office of Federal Financial Management (OFFM) within OMB. While the CFO Act designates the OMB Deputy Director for Management (DDM) the "chief official responsible for financial management in the United States Government," it states further that OFFM "shall carry out the financial management functions" assigned to the DDM. Since the Controller directly manages OFFM, and given that the DDM has far broader responsibilities extending to human resources management, procurement policy, and regulatory affairs, amongst others, the Controller can perhaps best be described as the first line supervisor of financial management for the federal government. OFFM and the Controller's sphere of influence is limited to financial management, but under the CFO Act includes all its elements: human, systems, processes, and policies. The CFO Act in essence makes the Controller the single official most directly accountable for financial management in the government.

2. Please describe your views on OFFM's responsibilities in relationship to the rest of OMB.

Within OMB, OFFM has the overall lead on financial management matters. It is the Resource Management Offices (RMOs), however, which work most directly with the departments and agencies on both management and budget issues. OFFM must work collaboratively with the RMOs, on an agency-by-agency basis, in order to be effective and to know when to intervene directly with a particular department or agency. In order for the responsibilities of OFFM to remain visible and receive an appropriate share of energy and resources within OMB, relationships between OFFM and the RMOs (as well as the other statutory offices) must be strong at both the Controller and staff levels. My initial conversations with other elements of OMB indicate that the OFFM staff is well regarded; it will be up to me to provide effective advocacy of OFFM issues and encourage attention to federal financial management matters at a leadership level.

3. What do you believe are the financial management challenges facing the Executive Branch? How will you as Controller address these challenges and what will be your top priorities?

The financial management challenges facing the Executive Branch are extensive and comprise all elements of financial management: human, systems, processes, and policies.

Many of the problems are government-wide (*systems being the primary example*), but selected departments and agencies can be said to have pervasive problems.

The best way to address these challenges is to (1) articulate clear standards for financial management success, (2) establish a prioritized agenda for improvement, and (3) use all available vehicles to develop, coordinate, implement, and monitor improvement plans.

Standards for financial management success must reflect requirements that financial information be accurate, timely, and useful. I am still in the process of formulating more detailed standards and a prioritized reform agenda, but know that any OFFM agenda will have three dimensions: (1) core elements or attributes of federal financial management requiring attention government-wide (an example would be improving the timeliness of financial statement preparation); (2) targeted opportunities involving multiple agencies (the President's Management Agenda initiative to reduce erroneous payments, for example); and (3) "repair work" at selected departments or agencies where financial management is clearly at an unacceptable level.

There are a number of established mechanisms which effectively extend the "reach" of OFFM. These groups play advisory, coordinating or implementing roles in federal financial management. They include the President's Management Council, the Chief Financial Officers Council, the Joint Financial Management Improvement Program, the President's Council on Integrity and Efficiency, and the Executive Council on Integrity and Efficiency. Active participation by the Controller in these groups supplements the direct activities of OFFM within OMB and its work with individual departments and agencies. Most importantly, I expect to report regularly to the President's Management Council on the state and progress of federal financial management, thus focusing attention on our efforts at the highest level.

4. How do you plan to communicate to Congress on your efforts to address financial management issues?

If confirmed as Controller, I would expect to establish a productive, bipartisan working relationship with Members and staff in both Houses of Congress and to keep them informed on federal financial management issues. This would, of course, be in addition to the existing statutory reporting requirements.

III. Policy Issues

1. In the 1990s, Congress enacted several laws imposing financial management requirements on agencies, including the Chief Financial Officers (CFO) Act and the Federal Managers Financial Integrity Act. In what areas do you see agencies performing effectively under these requirements and in what areas do you believe greater improvement is required? How will you, as Controller, work with agencies to achieve these improvements?

Much of the focus in federal financial management has been on the budget process rather than management or performance elements. The CFO Act requires the government to address this imbalance. The CFO Act and related statutes, including the Federal Managers' Financial Integrity Act, Government Performance and Results Act (GPRA) of 1993, the Government Management and Reform Act (GMRA) of 1994, and the Federal Financial Management Improvement Act (FFMIA) of 1996, lay out requirements and responsibilities more akin to those seen in the private sector. The statutes provide a focus on information systems, human resources management, planning, and performance and financial reporting, including audits. The government has made real efforts to implement these requirements. Significant achievements have been realized particularly in areas more readily subject to easy measurement, such as successful completion of audits. However, overall I think it is fair to say that progress has been uneven.

While progress has been demonstrable, much remains to be done: financial management systems lack desired functionality, are too costly, and fail to be implemented according to schedule; financial information remains in some cases inaccurate and is rarely timely; there is little integration of financial and performance management systems; and there are still significant internal control and audit problems in some departments and agencies. If confirmed, I will work with agencies to achieve improvements by setting ambitious but clear and achievable standards for success; review and strongly support sound plans for improvement; and monitor implementation of agreed upon work plans, including focusing management attention at senior levels and directly intervening in those cases where improvements are not realized according to plan.

2. The government has been unsuccessful in attaining an audit opinion on its consolidated financial statements for the past 4 fiscal years. What are your views on a timeframe and approaches for addressing the impediments to an opinion on these financial statements and material control deficiencies identified and reported through agency financial statement audits?

The government has shown steady improvement in its audit results, with an increasing number of clean and timely audits completed for the 24 CFO Act agencies, and a decreasing number of agencies with disclaimers of opinion. As the Comptroller General stated in his report to the President and the Congress in the Fiscal Year 2000 *Financial Report of the United States Government*, "the largest impediment to an opinion on the consolidated financial statements is the Department of Defense's...serious financial management problems..." This Administration has made improving financial management of the Department of Defense a significant priority, with Secretary of Defense Rumsfeld speaking recently of the commitment of \$100 million for financial management and a program to improve business practices more broadly. I do not yet have an opinion on the period of time it will take Defense to improve its financial management to a level which will allow the Comptroller General to express an opinion on the consolidated financial statements of the government. I am hopeful that the other, non-Defense related impediments to an opinion can be removed in time for the fiscal year 2002 audit.

As to approaches, OFFM is currently holding a series of meetings with individual agencies, including their CFO and IG, together with representatives of Treasury, GAO, and the associated RMO to address all impediments and formulate corrective action plans. I believe these sessions are highly constructive, and would plan to continue them with supplemental follow-up sessions as required in particular problem areas.

3. Many agencies have made progress in completing their annual financial statements on time and more agencies have received unqualified opinions this year than ever before. However, realizing these goals entails a massive effort for most agencies, but yields only a "snapshot" of the agency's finances as of the end of the fiscal year. According to GAO's most recent report on the implementation of the Federal Financial Management Improvement Act, at least 19 of 24 CFO Act agencies are not in compliance with the act, which requires agency financial systems to meet federal accounting standards. Clearly, many more improvements need to be made in agency financial systems before managers will routinely have sufficient information to guide their daily decision-making. Please describe your views on the importance of financial management improvement in general and OMB's role in addressing these challenges. How do you view the relative importance of achieving a clean audit opinion on an agency's financial statements? What are your ideas for defining financial management success and does it go beyond an unqualified financial statement opinion?

Sound financial management helps safeguard an organization's assets and provides useful information to its managers, owners and other interested parties. This is just as true in government as in the private sector. Improved financial management in the government will protect and leverage the use of scarce resources, provide for better decision making, improve operations and program effectiveness, and thus, over time increase the public's confidence in the government.

In its January 2001 *Major Management Challenges and Program Risks* report, GAO defined the "end game" of financial management as "having timely, accurate, and useful financial, program costs and other important management information in order to make decisions and monitor government performance every day." I agree entirely with this definition of financial management success, which goes well beyond the important but minimal standard of obtaining an unqualified audit opinion.

My initial assessment is that with some limited exceptions, federal financial management systems fail to meet targets for functionality, cost, and adherence to implementation schedules. Departments and agencies have done their own thing, with largely ineffectual efforts made to standardize financial management across the government. In recent years, OMB, Treasury, and JFMIP (the Joint Financial Management Improvement Program) have been working together to better clarify and achieve consistency of standards for financial statements and systems. If confirmed as Controller, I plan to advocate those systems proposals which meet the standards of OMB Circulars A-127 and A-130 as to a demonstrated, favorable cost/benefit relationship, and which will best advance the

standardization of financial management across the government and the integration of performance and financial management in order to support decision making. I will pay particular attention to the project management of major systems implementations, which appears to have been a problem in many departments and agencies. To make real improvements in federal financial management systems, it will also be necessary for OMB and Treasury to work together to develop a definitive set of information requirements.

More broadly, OMB must be the champion of improvement in all areas of financial management, and hold department and agency management responsible for achieving results, with visibility at both the CFO/CFO Council and Chief Operating Officer/President's Management Council levels of departmental management.

4. The President's Management Agenda (Fiscal Year 2002) identifies Improved Financial Performance as 1 of 5 governmentwide goals and indicates that OMB will work with agencies to improve financial information timeliness, reliability, and usefulness. What are your plans for carrying out this initiative?

The President's Management Agenda for fiscal year 2002 sets ambitious goals for improved financial performance. In order to achieve the stated objectives, I will make sure clear standards for success in federal financial management are developed and communicated throughout both OMB and the executive departments and agencies. As a part of the upcoming budget process, OFFM will work with the RMOs to assist individual departments in reviewing their work plans in the areas of erroneous payments; financial management systems; accurate and timely financial information; integration of financial and performance management; and audits. The CFO Council will be asked to play an active role in the implementation of the improved financial performance initiative. As the various elements of the initiative are implemented throughout the year, regular progress reports will be provided to the President's Management Council in order to focus attention at the highest levels and correct execution problems, as necessary.

5. GAO has designated several agencies' financial management - DoD, IRS, FAA, Forest Service - as high risk. Financial management weaknesses also play a significant role in other areas that have been designated by GAO as high risk, such as Student Financial Aid programs. How do you plan to work with these agencies to make substantive progress toward resolving these high-risk situations?

As indicated in response to an earlier question, I believe an important element of OFFM's responsibilities should be focused attention upon agencies at which financial management is at an unacceptable level. In order to make progress addressing and resolving the underlying problems, intervention beyond the normal contact and monitoring of agency activities will be required by both OFFM and myself as Controller. However, in view of the significant challenges facing the Department of Defense and the Federal Aviation Administration in light of the attacks of September 11, 2001, particularly in the short term

the plans for improvement must also be carefully prioritized in order to support and not conflict with demanding program requirements.

6. Specific financial management and control issues often arise that call for close governmentwide attention and oversight. The President's recently released Management Agenda highlights for particular attention erroneous payments cited by OMB as involving more than \$20 billion in erroneous benefit and assistance payments. What should OMB's role be in identifying and solving financial management issues?

Department and agency heads have primary responsibility for financial management in their own organizations. OMB's role is to establish overall standards for government financial management success; to identify, coordinate, and lead improvement efforts for those pervasive problem areas requiring a government-wide approach; and to intervene with specific agencies having significant problems. Finally, OMB must track progress and hold accountable those responsible for implementing improvement plans.

7. OMB recently issued guidance to agencies on improper payments as an amendment to Section 57 of Circular No. A-11. This guidance directed agencies to estimate and report the amount of their improper payments to OMB but did not offer suggestions on how agencies should do this, just that it set target rates for them. In addition, the guidance only asked agencies to report improper payments for benefit programs and some grant programs, and did not cover the entire universe of improper payments. Will you report to Congress on the extent of improper payments identified by the agencies, and whether they are meeting their targets to reduce them? Will you, as Controller, provide additional guidance to agencies on how to estimate and report the amount of their improper payments?

Agency programs with annual aggregate outlays approximating \$1.2 trillion have been asked to submit erroneous payment assessments and action plans as part of the fall budget process currently underway. OFFM will review the submissions to assess the methodologies used to estimate erroneous payment rates, and targeted goals for reduction. It will also review, and then monitor as they are implemented, the work plans developed to achieve reductions, and track the dollars saved. OFFM will work with the agencies to address specific issues, including any legal or other obstacles that might hinder the achievement of initiative objectives to reduce erroneous payment rates. Additional guidance will be issued as appropriate once the initial submissions have been received, analyzed, and particularly as experience is gained reducing erroneous payments through steps that can be replicated more broadly. This initiative, and others like it, will be the focus of discussion and support by the CFO Council. Congress will be kept fully informed on the targets established and the results achieved.

8. GAO recently issued an Executive Guide entitled *Strategies to Manage Improper Payments*. The Guide outlines five strategies GAO believes agencies should implement to help reduce their improper payments. Do you believe that these strategies are an effective way to

address this problem? If so, will you work with agencies to implement them? If not, please explain.

The five internal control components identified by GAO pertain to the control environment; risk assessment, control activities; information and communications; and monitoring. I agree that these are important elements of an effective program to reduce erroneous payments, and will work with departments and agencies to implement them.

9. Under the Government Performance and Results Act of 1993, agencies are required to measure and report on their progress in achieving agency mission goals. Many agencies have had difficulty producing reliable and verifiable performance data, particularly when programs are implemented by state and local governments or other third parties. What will you do as Controller to ensure that agencies address these problems with data reliability?

Given the historical focus on the budget process and funding levels rather than performance and results, departments and agencies will only modify their business processes and systems to focus on performance, including the generation of reliable data, if they believe that the production of performance plans is more than a "paper" exercise. The President's Management Agenda initiative to improve financial performance includes accelerating year-end reporting, institutionalizing quarterly financial statements, and integrating financial and performance information. To achieve these objectives, departments and agencies will need to redesign business processes. Beyond a certain point, acceleration of reporting cannot be accomplished without better processes that will also improve the reliability of performance data. OMB and OFFM in particular will need to work closely with the departments and agencies as they develop plans to realize these objectives, especially in programs implemented by third parties for which data collection is more difficult. In addition, if confirmed as Controller, I will work to make sure performance reporting is an element of core systems requirements established by JFMIP.

10. In testimony before a House Government Reform subcommittee in June, 2001, Sean O'Keefe, OMB Deputy Director, stated that a high priority for the Administration was its intention to link agency budgets to performance results. The recently released President's Management Agenda indicates that some agencies will be required to submit performance-based budgets for selected programs for FY 2003. Given agencies' problems with producing accurate cost and performance data, is the federal government ready to make budget decisions on this basis?

Agency annual performance plans set out an extensive set of performance goals for Federal programs. However, the link between these performance goals and the resources that will be spent to achieve them is often not well defined. For FY 2003, OMB and the agencies will select a number of important programs to demonstrate the ability to forge this linkage. For the selected programs, an in-depth assessment will be made of what these programs need to do to achieve program objectives, how much this will cost, and how program effectiveness can be improved. In the course of preparing the FY 2003

Budget, OMB will work with the agencies on setting performance target levels for these selected programs commensurate with their funding levels. Additionally, for all programs, OMB intends that the FY 2003 Budget present, on an agency and program basis, the full costs of retirement and health care programs that are currently budgeted centrally.

11. In your view, are the staff resources dedicated to financial management issues sufficient for OMB to identify and correct system problems, improve governmentwide financial management practices, and discharge responsibilities included in such statutes as the CFO Act, the Government Management Reform Act, and the Federal Financial Management Improvement Act? Please describe your views on the role of the CFO Council and how OMB can work with CFOs to leverage resources devoted to financial management issues.

I have not yet reached any conclusions as to the adequacy of staff resources at OFFM. If resources are stretched thin, I will seek to supplement OFFM's efforts through the participation of other executive department and OMB resources in task forces, councils, etc. The CFO Council in particular can be a powerful tool in the development of policy advice to the Controller, and also for the implementation of government-wide initiatives. The CFO Council, as it has in the past, can champion specific programs. Over time I would hope to develop personal relationships with the CFOs and Deputy CFOs of the 24 CFO Act agencies represented on the Council in order to extend OFFM's and my own effectiveness.

12. What role do you envision for OMB in the selection of qualified agency chief financial officers? How will you work with the Office of Personnel Management to develop a means to attract and retain financial management staff?

The CFO Act provides for an OMB role in advising agency heads "with respect to the selection of agency Chief Financial Officers and Deputy Chief Financial Officers." It also establishes an OMB role as to qualification standards and assessments of financial management staffs. My understanding is that this role has not always been an active part of OFFM's work in the past. If confirmed, at an early date I will meet with the Office of Presidential Personnel to suggest whatever technical assistance may be appropriate as pertains to Presidentially-appointed CFO positions, and with the Office of Personnel Management, consistent with statutory constraints, concerning all other CFO and Deputy CFO appointments.

IV. Relations with Congress

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

Yes.

2. Do you agree without reservation to reply to any reasonable request for information from any duly constituted committee of the Congress if you are confirmed?

Yes.

V. Assistance

1. Are these answers your own? Have you consulted with OMB or any interested parties? If so, please indicate which entities.

The answers are my own; however, I have consulted with OMB and OFFM staff to obtain background information useful in developing my answers.

AFFIDAVIT

I, MARK W. EVERTON being duly sworn, hereby state that I have read and signed the foregoing Statement on Pre-hearing Questions and that the information provided therein is, to the best of my knowledge, current, accurate, and complete.

Mark W. Everson

Subscribed and sworn before me this 1st day of October, 2001.

Bessie M. Jones Nease
Commissioner Expires: August 14, 2004

