

# APPENDIX F

## FY 2004 FINANCIAL MANAGEMENT STATUS REPORT AND FIVE-YEAR PLAN SUMMARY

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### I. Background

The Department of Justice (DOJ) 2004 Financial Management Status Report and Five-Year Plan, required by the Chief Financial Officers (CFO) Act of 1990, describes the Department's financial management initiatives, plans, and accomplishments. The CFO Act established the legal framework for improved financial management. Within that framework, executive agencies have key responsibilities for implementing effective financial management leadership, internal controls, reporting, and financial systems. The Department's Plan was prepared in accordance with the guidance contained in the Office of Management and Budget (OMB) Circular No. A-111, Preparation and Submission of Budget Estimates.

The President's Management Agenda and the Executive Branch Management Scorecard emphasize the significance of federal Government performance and accountability to achieve successful results. The ultimate goal is accurate and timely financial information on a recurring basis. These initiatives support the President's Management Agenda and improve management and administration of the Department's programs while also supporting mandates such as the CFO Act, the Government Management Reform Act (GMRA), the Federal Financial Management Improvement Act (FFMIA), the Government Performance and Results Act (GPRA), Federal Managers' Financial Integrity Act (FMFIA), and the Debt Collection Improvement Act (DCIA) of 1996.

The Department has moved towards budget and performance integration by including in the budget the full cost of achieving performance goals and by utilizing the Program Assessment Rating Tool (PART) for decision making purposes for the majority of its programs. All of the Department's programs will be assessed by PART by the end of FY 2006.

### II. Highlights of the Initiatives Contained in this Plan

**Audited Financial Statements.** In FY 2001, DOJ earned its first unqualified opinion on all of its consolidated audited financial statements. DOJ is committed to ensuring it continues to earn unqualified opinions. In FY 2004, to ensure it could meet accelerated due dates and quarterly reporting requirements, DOJ updated its financial statements guide and issued a new CFO/OIG combined statement preparation time-line and audit timeline to all components. While DOJ is poised to meet the new accelerated due dates for reporting, grant accounting weaknesses at the Office of Justice Programs (OJP) resulted in a disclaimed audit opinion at that component during FY 2004. In turn, due to the material impact OJP has on the Department-wide statements, the DOJ consolidated audit opinion was disclaimed in FY 2004. Overall, eight of the audited component entities received unqualified component level audit opinions in FY 2004, one component received a qualified opinion due to an accounts payable reporting issue, and OJP received a disclaimed opinion. DOJ has corrective action plans in place to obtain a full accounting for all FY 2004 balances, in preparation for earning a Department-wide clean opinion again in FY 2005.

**Financial Management Systems Development.** The Unified Financial Management System (UFMS) initiative is the keystone to the Department's financial systems improvement planning. During FY 2004, the Department selected CGI-AMS, Inc., as the commercial "off-the-shelf" (COTS) Financial Management System (FMS) product, which is certified by the Joint Financial Management Improvement Program (JFMIP) as meeting the core federal financial management system requirements.

The DOJ components identified for replacement of their current systems include: Federal Bureau of Investigation (FBI), U.S. Marshals Service (USMS); Drug Enforcement Administration (DEA); Bureau of Prisons (BOP), Office of Justice Programs (OJP); Offices, Boards and Divisions (OBDs); and Alcohol,

Tobacco, Firearms and Explosives (ATF). The Asset Forfeiture Program (AFP) (within the OBDs), FBI, and ATF are scheduled to begin implementation in FY 2006. The DEA and OJP are scheduled to begin implementation in FY 2007. Other component systems are scheduled to begin implementation between FY 2008 and FY 2009, based on a comprehensive business case analysis.

**eTravel.** As a result of the President's Management Agenda including the launch of the Government-wide eTravel initiative, DOJ is working to consolidate its travel processes at a Department level, centrally managed through a customer-centric, web-based environment with the expectations to integrate an easy to use, front-end travel service.

**Financial Management Line of Business (FMLOB).** During FY 2004, the Department made a significant contribution to the Financial Management Line of Business (FMLOB) task force. The end product of that effort was a business case that outlined a plan for improving the government's investment in financial systems through establishing "Centers of Excellence" (COE) that will provide financial management system services to the federal community. The business case directly parallels the Department's UFMS project.

**Financial Statements Remediation Plan.** In FY 2004, the Department did not obtain an unqualified audit opinion on its consolidated financial statements as in the previous fiscal years. While eight of the ten Department components which produce financial statements received unqualified opinions, difficulties in reporting certain grant related financial activity, and associated weaknesses in grant related systems, resulted in a disclaimed opinion for one component, and in turn, for the Department's consolidated statements. A second component's opinion was qualified due to a reporting issue with accounts payable. Steps are being taken to correct and fairly present grant and payables activity for FY 2004, in order to obtain an auditor's opinion on those corrected financial reports, and in order to prepare for earning a Department-wide clean opinion again in FY 2005.

The accounting and system weaknesses evidenced in the audit reports this year underscore the challenges we face as we operate seven different accounting systems supporting ten reporting entities. We have embarked on a multi-year project to install a Unified Financial Management System that will provide a single source for timely and reliable financial and performance data. The accounting standards compliance weakness will be remediated by enhancing existing policies, strengthening financial management system controls and internal controls.

**Debt Collection Management Program.** During June 2004, JMD performed a comprehensive debt management review that focused on the recently established OMB annual reporting requirement on implementing the DCIA and improving debt management and accounting policies and practices. Each component provided: (a) a brief description of internal policies regarding compromising, writing-down, forgiving or discharging of debt; (b) a description of deficiencies and corrective actions taken; (c) a statement on the consistency of implementation within the component; and (d) a statement on all eligible debt reported on IRS (1099Cs) and on the Treasury Report on Receivables in the same period.

**Modernizing Payments and Business Methods.** The Department made significant progress in improving payment processing. Department components continued to increase Electronic Funds Transfer (EFT) payments to grantees, vendors, and employees. The DD/EFT rate for permanent full-time employees was 99.80 percent as of July 2004. The Department's components continue to re-engineer systems operations and business practices to meet the challenge of making nearly all payments by EFT, as required by the DCIA. Additionally, DOJ continues to achieve a low delinquency rate for employee individually billed account travel card payments. Currently, DOJ has a .5% delinquency rate compared to 3% government-wide average; DOJ has achieved a 0% delinquency rate for purchase cards.