

APPENDIX C

FY 2010 Financial Management Status Report

This financial management status report describes the Department's three most significant and overarching financial management initiatives – achieving a clean audit opinion, implementing a new Department-wide financial management system, and continually improving internal controls. The President's emphasis on transparency emphasizes 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 Department's overall goal to 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.

Reliable Financial Statements and Meeting Due Dates for Financial Statements.

KPMG LLP, an independent public accounting firm under contract with the Department's Office of the Inspector General, performed the Fiscal Year (FY) 2010 consolidated Department audit. The Department earned an unqualified opinion on its audited consolidated financial statements for FY 2010. All nine of the Department's components that produce financial statements received unqualified opinions, as well. The Department and components continued to demonstrate progress in remediating weaknesses identified by the independent auditors. The Department has consistently met the OMB due date for submission of the consolidated financial statements. Ensuring these deadlines are met required planning and coordination which included issuance of the annual Financial Statement Requirements and Preparation Guide (Guide). The Guide includes a detailed timeline of major events and interim milestones. This, along with components' corrective actions quarterly status updates, adds to the foundation necessary to eliminate auditor-reported internal control material weaknesses. For FY 2010 and beyond, the Department expects to maintain its consistent status on its audited consolidated financial statements.

Integrated Financial Management System. The Unified Financial Management System (UFMS) initiative is the keystone to the Department's financial systems improvement planning for the future. UFMS is replacing the Department's multiple core financial management and procurement systems with an integrated Commercial Off-The-Shelf (COTS) solution, Momentum, provided by CGI Federal Inc. Implementation of the UFMS is improving financial management and procurement operations through streamlining and standardizing business processes and procedures across all components.

The Department Components identified to replace their current financial management and procurement systems include the Asset Forfeiture Program (AFP), Federal Bureau of

Investigation (FBI); U.S. Marshals Service (Marshals Service); Drug Enforcement Administration (DEA); Federal Bureau of Prisons (BOP); Office of Justice Programs (OJP); Offices, Boards and Divisions (OBDs); and Alcohol, Tobacco, Firearms and Explosives (ATF).

As of September 2010, UFMS supported more than 2,000 users worldwide, including the DEA (fully implemented), BOP (UFMS Acquisitions), Marshals Service (UFMS Acquisitions), and AFP (pilot program).

Significant strides were made in FY 2010 to bring additional users onto the system and prepare the next Components for implementation. Major accomplishments included the following:

- Implemented Marshals Service Phase 1, UFMS Acquisitions, in March 2010 demonstrating that two DOJ organizations (BOP and the Marshals Service) could successfully operate in a single shared instance. Sharing instances in UFMS will result in significant cost savings across the Department by consolidating system administration functions and eliminating duplicative processes.
- Accomplished the upgrade to UFMS 2.0, which supports additional business processes, reports, reference data, management solutions, planning, and system security enhancements.
- Completed the design, configuration, testing, training, and conversion activities to deploy UFMS 2.0 to ATF as its system of record in October 2010, which will add 500 more users.
- Finished planning activities and initiated Phase 2 of the full implementation at the Marshals Service. This included the requirements gathering and gap analysis. The Marshals Service is scheduled to go live in 2012.
- Updated the UFMS Authority to Operate.
- Collaborated with the FBI to prepare for the start up in the first quarter of FY 2011 of the Phase 2 implementation of UFMS at the Criminal Justice Information System (CJIS).
- Improved system availability of UFMS by meeting the performance standard of 99 percent availability in 11 of the 12 months, and improved the user experience during peak processing times. Customer service continues to be a priority, and performance against the objectives will continue to be measured and evaluated as new customers are implemented.

Federal Financial Management Improvement Act (FFMIA) Remediation Plan and A-123 Compliance. During FY 2010, the Department continued efforts to resolve internal control weaknesses in critical areas by providing oversight and resources to individual components. Through ongoing review programs, components aggressively demonstrated their commitment to identify areas of concern and implement corrective actions promptly. The Department also continued to demonstrate progress on its multiyear project to implement an integrated financial management system. This system will eventually provide a single source for timely and reliable financial data, and strengthen the Department's overall control environment. The system will also facilitate the collection of information, increase transparency, and enhance decision-making by program managers.

The Department continued its commitment to improving and strengthening controls through the annual OMB Circular A-123 assessment. Using a top-down risk-based approach, efforts were focused on significant areas where the risk of material errors in financial reporting could occur. An increased effort was also made to coordinate and leverage existing reviews and assessments of the controls over significant financial information systems. These actions, coupled with the Department's corrective action plan process, have enabled the Department to monitor the components' progress against corrective action plans more timely and, when necessary, provide additional resources to correct control weaknesses.

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