

A MESSAGE FROM THE CHIEF FINANCIAL OFFICER

As we anticipated when the year began, the Department faced unprecedented challenges in meeting the financial management goals established by the Attorney General. I am very pleased to report that the Department not only obtained an unqualified opinion on the Fiscal Year (FY) 2005 consolidated financial statements, we also obtained an unqualified opinion on the restated FY 2004 consolidated statements. These significant accomplishments were the result of the hard work and commitment of the Department's many financial professionals.

All ten of our components that produce financial statements earned unqualified opinions on those statements. Auditors reported that six components had no material weaknesses in internal controls, and two components had no material weaknesses or reportable conditions of any kind. We also took the unusual step of restating and obtaining an opinion on the FY 2003 and FY 2004 financial statements for our largest grant-making entity, the Office of Justice Programs (OJP). After receiving disclaimed opinions on the OJP statements last year, we fulfilled a commitment to the Attorney General to correct, restate, and have the restated financial statements audited. We obtained unqualified opinions on the OJP restated financial statements, an important milestone in demonstrating full accountability for the funds we received.

Despite our progress, we still face significant challenges in the areas of financial controls and entity-wide information technology controls. A small group of our components still evidence material weaknesses in accounting operations and reporting. Information system control weaknesses exist in several components, with auditors reporting findings related to both general system controls as well as financial application controls.

With the restoration of the Department's unqualified financial statement opinion, we are committed to moving aggressively during FY 2006 to address the material weaknesses in our operations and to fulfill the financial management improvement goals of the President's Management Agenda and the Attorney General. We have embarked on a new internal evaluation and review process to provide improved assurance over the reliability of our financial controls. We are moving firmly and quickly to redesign financial record keeping and reporting practices in those components which have reported weaknesses. We are redoubling our efforts to bring our information systems into full compliance with federal standards. We remain committed to implementing uniform financial management practices across DOJ, and look forward to continuing our Unified Financial Management System project. While mindful of the challenges we face, I am confident the Department has a bright financial future and I look forward to meeting our financial management objectives in FY 2006.



Paul R. Corts