

APPENDIX F

FY 2005 FINANCIAL MANAGEMENT STATUS REPORT AND FIVE-YEAR PLAN SUMMARY

I. Background

The Department of Justice (DOJ) 2005 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 accompanying Executive Branch Management Scorecard emphasize the significance of federal Government performance and accountability to achieve successful results. The ultimate goal is to acquire accurate and timely financial information on a recurring basis and improve performance and overall effectiveness. The 2005 DOJ Financial Management Status Report and Five-Year Plan includes a summary of the important financial management initiatives completed or underway within the Department. 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 full cost of achieving performance goals within its budget 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 using this instrument by the end of FY 2006.

II. Highlights of the Initiatives Contained in this Plan

Audited Financial Statements. DOJ earned its first unqualified opinion on all of its consolidated audited financial statements in FY 2001 and continues to demonstrate its commitment to earning unqualified audit opinions. In FY 2005, to demonstrate its continued commitment, DOJ issued its quarterly reporting requirements as part of its annual Financial Statements Requirement and Preparation Guide issued to bureau components, including a detailed time line of major events and interim milestones within the accelerated timeframes. In FY 2005, DOJ restored its FY 2004 unqualified opinion. In doing so, all ten components earned unqualified opinions for FY 2004. The opinion on Alcohol, Tobacco, Firearms and Explosives' FY 2004 financial statements was reissued in FY 2005 to an unqualified opinion after additional test work was performed on accounts payable accrual. The Office of Justice Programs (OJP) was able to obtain a clean opinion on its FY 2003 and 2004 restated financial statements by refining its grant accrual methodology and adjusting the prior year balances. DOJ anticipates its corrective actions will result in a diminished number of internal control weaknesses at the component level.

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 Product Acceptance Testing was completed and the CGI-AMS software was officially accepted by the government during the second quarter of

FY 2005. The final Integration and Implementation contract was released during the third quarter of FY 2005. The contract award is anticipated for the first quarter of FY 2006.

The seven DOJ components scheduled for implementation include: Asset Forfeiture Program (AFP) (within the Offices, Boards and Divisions, (OBDs)), Federal Bureau of Investigation (FBI), and Drug Enforcement Administration (DEA) are scheduled to begin implementation in FY 2006; Alcohol, Tobacco, Firearms and Explosives (ATF), and U.S. Marshals Service (USMS) are scheduled to begin implementation in FY 2007; and other component systems are scheduled to begin implementation between FY 2008 and FY 2009, based on a comprehensive business case analysis.

eTravel. In response to the President's Management Agenda, the eTravel initiative was launched and Electronic Data Systems (EDS) was selected as the eTravel System (eTS) vendor. During FY 2005, the Deputy Assistant Attorney General, Controller approved the implementation of a Department eTravel Program Management Office (TPMO) in the Finance Staff. The TPMO has developed a DOJ eTS security roadmap, which provides background and guidance on security activities and commenced certification and accreditation activities for FedTraveler.com, the Federal government's travel management system.

Financial Statements Remediation Plan. As stated above, in FY 2005, DOJ restored its FY 2004 unqualified opinion. In doing so, all ten components earned unqualified opinions for FY 2004. The opinion on Alcohol, Tobacco, Firearms and Explosives' FY 2004 financial statements was reissued in FY 2005 to an unqualified opinion after additional test work was performed on accounts payable accrual. The Office of Justice Programs (OJP) was able to obtain a clean opinion on its FY 2003 and 2004 restated financial statements by refining its grant accrual methodology and adjusting the prior year balances. Major steps were taken to correct and fairly present grant and accounts payable balances for FY 2004, which resulted in a Department-wide restored clean opinion in FY 2005.

The accounting and system weaknesses evidenced in the audit reports in FY 2005 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. The Justice Management Division performed its annual comprehensive Department-wide debt management review in compliance with OMB's reporting requirements. The Department reported cash collections over \$2.5 billion in FY 2004 resulting from civil and criminal litigation and enforcement activities. During FY 2005, enhancements were being made to the Collection Litigation Automated Support System (CLASS) in the areas of document and report generation and user requests.

Modernizing Payments and Business Methods. The Department made significant progress in improving payment processing. The Department's components continued to increase Electronic Funds Transfer (EFT) payments to grantees, vendors, and employees. The Direct Deposit/Electronic Fund Transfer rate for permanent full-time employees was 98.90 percent as of July 2005. 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. DOJ continues to achieve a low delinquency rate for employee individually billed account travel card payments. Currently, DOJ has a .14 percent delinquency rate compared to 3.55 percent government-wide average. DOJ has achieved a zero percent delinquency rate for purchase cards. In addition, DOJ continues to expand its recovery audit programs. The Bureau of Prisons, Federal Prison Industries, OBDs, and OJP are currently using the services of an audit recovery-contracting firm. To date, approximately \$1.76 million in erroneous payments have been recovered.