



Federal Financial Management Report 2004

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Executive Summary

Expanding our Horizon – Focusing on Results as well as Compliance

Financial management extends beyond receiving an unqualified audit opinion. Integrity and reliability – the things to which an unqualified audit attests – should be a given. First class financial management requires integration of the financial impact of agency activities in operational execution and senior management decision making. It is accompanied by accountability standard setting, performance tracking and other analyses. These are characteristics we should seek in the Federal Government, just as they are sought in the private sector.

Only a few short years ago, such a standard was not prevalent in the Federal Government. Through the President's Management Agenda (PMA), the Office of Management and Budget (OMB) has set aggressive goals to achieve respectability in the government's financial management practices. It is not surprising that this results-focused approach has forced significant and challenging process modifications at many agencies. The degree of transformation reflects just how far we have had to come to catch up to accepted practices of well-run financial management organizations.

Aligning for Success

OMB's Office of Federal Financial Management (OFFM) and the Chief Financial Officers (CFO) Council were not exempt from this need to restructure in support of higher performance goals. For instance, OFFM has realigned and added subject experts who can provide leadership across its areas of responsibility. As part of this restructuring, the Branch Chiefs at OFFM now partner with the chairpersons of the CFO Council committees to help set the agendas and facilitate the achievement of objectives.

Similarly, the CFO Council – composed of CFOs and Deputy CFOs of the major agencies – has also reassessed its working committees, while refreshing and updating its focus. Existing committees such as the Financial Reporting Acceleration and Improper Payments Committees have been, and continue to be, very influential in providing forums for sharing best practices and influencing OMB guidance. New committees, such as the Financial Management Policies and Practices group, are actively engaged in studying emerging issues. CFO Council Committees will continue to partner with representatives of other groups, such as the President's Council on Integrity and Efficiency (PCIE) and the Chief Information Officers (CIO) Council. (Reports from the chairpersons of each of the committees are included in this report.)

Financial management systems are deserving of CFO attention and they are getting it. Through the combined efforts of the CFO Council Financial Systems and E-Government Committee and the OMB-sponsored Financial Management Line of Business Project, CFOs are setting the course for the financial management system architecture of the future.

Evidence of Progress

Are the efforts described above paying off? The answer is an indisputable “yes”. Where it took agencies five months to prepare audited financial reports in the past, it now takes 45 days for many and only two-and-a-half months for most. Agencies are building on the momentum from our Fiscal Year (FY) 2003 reporting acceleration successes to achieve the November 15th reporting date in 2004. Interim reports, unheard of before 2002, are now being completed just 21 days after the close of each calendar quarter.

It is often said that such achievements can only be accomplished by extraordinary efforts. Hard work is always a factor, but these results are a tribute to detailed planning, effective management and excellent execution.

While the acceleration targets are critical, they are not our ultimate objective. Rather, the discipline and improved control needed to accelerate financial reporting is only the foundation for ensuring the availability of useful financial information. The incorporation of timely and accurate financial information into management decision-making and operational assessment continues to be our main goal.

Progress toward this goal was made during FY 2003, as shown by the addition of two agencies, the Social Security Administration and the Environmental Protection Agency, that achieved “green” status under the Improved Financial Performance initiative of the PMA. These agencies were later joined by the Department of Education in the first quarter of FY 2004. Today, not only do the managers in these agencies have more timely and accurate information, they are increasingly using it in program assessment and planning.

Emerging Issues – Internal Control

The internal control environment of any entity is an area of focus for both management and the auditor. Federal Government agencies are no exception. There are several existing laws governing the agencies in assessing and representing the quality of their internal control. For example, agency heads are required to provide reasonable assurance of compliance with the Federal Manager’s Financial Integrity Act (FMFIA) with respect to both management control and financial management systems. Agency heads are also required to certify that their systems satisfy specified requirements under the Federal Financial Management Improvement Act (FFMIA). Additionally, the Federal Information Security Management Act (FISMA) provides for government-wide management and oversight of information security risks and agency information security programs. As such, FISMA requirements provide an additional standard for financial systems control.

Not all Federal agencies are yet able to provide these assurances; however, all continue to make progress in eliminating barriers to compliance. Because financial systems are a major part of the universe to which these statutes apply, it is entirely possible that positive assurance from the collective group of agencies will emerge over a period of years due to the time required for new system design, development and implementation.

Both OMB and the CFO Council are keenly aware of the internal control challenges and related new assurance requirements that have been reported in the private sector. We are actively engaged with the Inspector General community in reviewing these requirements and their potential applicability to Federal Government agencies.

Emerging Issues – Reporting Information on Social Insurance Programs

During FY 2003, the Federal Accounting Standards Advisory Board (FASAB) issued Statement of Federal Financial Accounting Standard (SFFAS) No. 25, *Reclassification of Stewardship Responsibilities and Eliminating the Current Services Assessment*. Among the provisions of this standard is the requirement that the Statement of Social Insurance, which is currently reported in the stewardship section of the Financial Report, become a basic financial statement with full audit scrutiny. This Statement provides estimates for important components of the Social Security and Medicare programs, and it is accompanied by an expansive discussion of underlying assumptions and sensitivity analyses. This requirement will enhance the value and the prominence of what is one of the most extensively presented components of the *Financial Report of the United States Government*.

Additional Emerging Challenges and Opportunities

An assessment of the current environment indicates that financial managers will be required to address a myriad of emerging issues. In addition to those already discussed, we anticipate increased challenges in the following areas: finding experienced financial professionals for the Federal workforce; working within the constrained resources of independent contract auditors; establishing innovative financial management systems service alternatives; improving management of Federal asset portfolios; and increasing customer focus. We will continue to work with the CFOs, the CFO Council, and others in the financial community to appropriately address these and other emerging challenges.

Outlook for the Future

While we have seen many achievements in the past fiscal year, there remains a long way to go. OMB and the CFO community will continue to set and achieve higher standards of performance. Such issues as improved asset management and the elimination of improper payments – assessed at \$35 billion on programs accounting for half of the Federal Government’s annual outlays – must be subject to better management. These challenges are not easy. If they were, they would have been targeted and achieved years ago. But the Federal financial community is actively engaged in efforts to address these and other important issues because the American taxpayer expects no less.

A High Standard of Stewardship

It is my opinion that the Federal Government should be held to as high, if not higher, a standard of financial management as the private sector. American citizens do not have the option of “taking their business” elsewhere – they cannot elect to stop new investments (tax payments) until the company (Federal Government) improves its financial management practices.

Accordingly, I believe it is incumbent upon every financial professional in the government to execute his or her duties according to the standards of excellence consistent with this stewardship responsibility. That is what we strive to do. And that is what we will continue to do.

Linda M. Springer
Controller

Office of Federal Financial Management

OMB's Office of Federal Financial Management (OFFM) – headed by the OMB Controller and under the direction of the OMB Deputy Director for Management – is responsible for the financial management policy of the Federal Government. OFFM's specific responsibilities include implementing the financial management improvement priorities of the President, establishing government-wide financial management policies of executive agencies, and carrying out the financial management functions of the CFO Act. In short, the mission of OFFM is to promote and support first class first class financial management in the executive branch of the Federal Government.

This past fiscal year, OFFM restructured itself to better address financial management issues, adding subject matter experts to provide leadership across its areas of responsibilities. Now, OFFM is comprised of three separate issues-oriented branches with the following objectives:

Financial Standards and Grants Branch – to develop financial management policies for Federal agencies and grant recipients; facilitate the development of timely, accurate and useful financial information to support management decisions; and ensure accountability and effective customer service for Federal grants programs.

Financial Integrity and Analysis Branch – to ensure that Federal financial programs are measuring and achieving intended results, eliminating inefficiencies and improprieties, and managing their financial activities in accordance with superior practices.

Federal Financial Systems Branch – to ensure that the government-wide Federal financial management systems architecture is producing the information needed to support first class financial management.

Each OFFM branch works directly with agency Chief Financial Officers (CFOs) and Inspectors General (IGs), as well as the CFO Council, to provide guidance to agencies in relevant areas of financial management.

Improving Financial Reporting

The federal government IS results oriented. Of course we are. The citizens and taxpayers expect it of us, and they deserve nothing less. We ask if we are accomplishing desired results at an acceptable cost, and if the answer is “no” or “we don't know,” then we figure out what to do about it.

Clay Johnson III, OMB Deputy Director for Management
May, 2004

The President’s Management Agenda (PMA), announced in August 2001, was launched to address specific deficiencies and problems in the Federal Government. Through both the government-wide and special program initiatives of the PMA, we are working to improve the financial performance of the government and to better ensure the stewardship of taxpayer dollars.

Improved Financial Performance

Timely and Reliable Financial Information
Integrity in Financial Activities
Sound and Dependable Financial Systems
Eliminating Improper Payments

One of the government-wide PMA initiatives is Improved Financial Performance, in which agency Chief Financial Officers (CFOs) – both individually and through the auspices of the CFO Council – share responsibility. This initiative involves agencies having more timely and reliable financial information, working to develop sound and dependable financial systems, and identifying and eliminating improper payments in their

programs and activities. However, such aspects of financial performance alone are not sufficient. Rather, agencies must also strive toward first class financial management, in which their financial information is regularly used for more informed day-to-day decision making and in operational execution.

The benefits of CFO efforts, however, is not confined to financial performance. Rather, having such timely and reliable financial information also assists the decision making processes of other PMA initiatives. For instance, the Budget and Performance Integration initiative makes direct use of such information to assess the performance of agency programs, make improvements where possible, and better determine what citizens are getting for their tax dollars. Additionally, having specific cost and pricing information is essential to the competitive sourcing and electronic government initiatives.

Again, our focus is on achieving results. The work of the CFOs and the CFO Council is vital for realizing the goals of the President’s Management Agenda.

Achieving Accountability – FY 2003 Financial Results

For the FY 2003 reporting cycle, agencies continued to make steady progress toward achieving the objectives of the Improved Financial Performance initiative of the PMA. Recognizing that issuing unqualified opinions five months after the fiscal year-end had limited usefulness, this

Administration announced the acceleration of the combined performance and accountability reports to 45 days following the end of the fiscal year beginning with the FY 2004 reporting cycle. Last year, two years ahead of schedule, the Department of Treasury and the Social Security Administration met this requirement. This year, that number increased three-fold to eight agencies.

The Department of Education, Environmental Protection Agency (EPA), Department of Health and Human Services, National Science Foundation (NSF), the Social Security Administration (SSA), Department of the Treasury, U.S. Agency for International Development (USAID), and the Department of Veterans Affairs all issued their Performance and Accountability Reports (PARs) by the middle of November 2003.

USAID's accomplishment is especially noteworthy, as this past fiscal year was the first time in its history that it achieved an unqualified audit opinion on its financial statements, as well as met the mid-November reporting date.

In addition to the eight agencies above, ten more of the largest Federal agencies issued their 2003 PARs by the end of the calendar year – 30 days earlier than the OMB-established deadline and 60 days earlier than the statutory due date of February 28.

In the FY 2003 reporting cycle, for the first time ever, agencies also began submitting quarterly financial statements to OMB. The Administration implemented this requirement to make agencies develop financial processes and procedures that will support accelerated year-end reporting and to facilitate more frequently available financial information. So far, all of the major agencies have met the interim reporting deadlines. Additionally, many of the smaller agencies, who are subject to the Accountability for Tax Dollars Act of 2002, met these deadlines.

Another achievement of note in FY 2003 occurred at the Department of Homeland Security (DHS). Although DHS was created five months into the fiscal year and could have received a first-year waiver, the Department elected to forgo the waiver and prepared audited financial statements for the first time. While DHS as a whole received a disclaimer, it did receive a qualified opinion on its Balance Sheet and Custodial Activity Statement. Additionally, building upon its efforts this past year, DHS should be well-positioned for progress this fiscal year.

Overall in FY 2003, Federal agencies progressed toward the demonstration of first class financial management. Such progress is reflected in an agency's ability to attain green status on the Improved Financial Management Initiative of the PMA. Recently, such agencies as the Department of Education, EPA, NSF, and SSA have each attained green status, having demonstrated first class financial management principles and practices.

Although the demonstration of fiscal accountability is a foundation for sound financial management, achieving unqualified financial statements is just the beginning. Ultimately, agency decision makers must have and use accurate precise and timely financial information in their day-to-day management.

Reducing Material Weaknesses

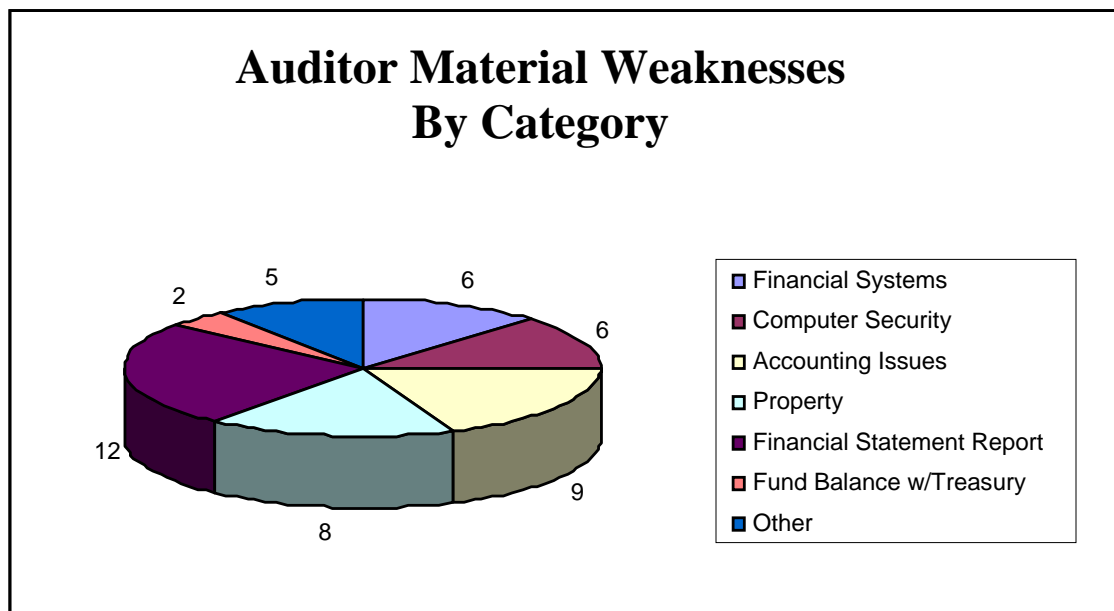
Despite improvements over the past year in agency financial reporting, much work remains to fully achieve the President's goal of Improved Financial Performance, such as resolving the number of material weaknesses facing agencies. These material weaknesses include those that are auditor-reported, as well as those pursuant to Sections 2 and 4 of the Federal Managers' Financial Integrity Act (FMFIA) of 1982.

On a government-wide basis, fewer material internal control weaknesses were reported by independent auditors this past fiscal year. Agency progress to correct these internal control weaknesses is monitored on a quarterly basis as part of the PMA scorecard, as agencies must not have any repeat material internal control weaknesses in order to achieve "green" status.

Material internal control weaknesses are reported by independent auditors as part of the annual financial audit process. Across the government, a total of 14 new weaknesses were reported in FY 2003. The majority of the weaknesses reported were related to deficiencies in specific accounting processes and financial statement reporting (as shown below). In addition, computer security and financial systems weaknesses were frequently reported.

Some of the progress agencies made in FY 2003 include 23 auditor-reported internal control weaknesses being resolved. The most noteworthy improvement may be the U.S. Agency for International Development, where six weaknesses were resolved during the year.

The following chart shows the distribution of the auditor material weaknesses by category:



In addition to auditor-reported material weaknesses related to financial reporting, OMB also requires the head of each executive agency, in accordance with FMFIA, to report annually on

whether there is reasonable assurance that the agency’s controls are achieving their intended objectives and whether the agency’s financial management systems conform to government-wide requirements. Thus, agency heads are required to identify material weaknesses related to agency programs and operations pursuant to Section 2 of FMFIA, as well as nonconformances with government-wide financial systems requirements pursuant to Section 4 of FMFIA. Specifically, Section 2 seeks to: assess agency internal controls necessary to ensure compliance with applicable laws; protect against loss from waste, fraud, and abuse; and ensure certain receivables and expenditures are properly recorded. Section 4 nonconformances, on the other hand, reflect weaknesses in Federal accounting systems.

As shown in the following table, the overall number of FMFIA internal control weaknesses and systems nonconformances decreased by nearly 32 percent (excluding DOD consolidations). Specifically, there were fewer material weaknesses under Section 2 of FMFIA reported during FY 2003. Ten agency heads provided assurance that the management controls were adequate. Those notable agencies that resolved their material weaknesses include the Department of Defense (resolving 25), the Department of Justice (resolving eight), and the U.S. Department of Agriculture (resolving five). (Appendix B depicts the number of material weaknesses reported by the auditors, as well as the FMFIA material weaknesses and nonconformances by agency.)

FMFIA Issues Identified by Agency Heads

	<i>Section 2 (Internal Control Weaknesses)</i>	<i>Section 4 (Systems Nonconformances)</i>
<i>Beginning FY 2002</i>	231	35
<i>New</i>	43	3
<i>Resolved</i>	124	11
<i>Beginning FY 2003*</i>	150	27
<i>New</i>	18	4
<i>Resolved</i>	48	7
<i>Consolidated</i>	15	2
<i>Reassessed</i>	16	1
<i>Ending FY 2003</i>	89	21

*The “Beginning” FY 2003 column reflects the adjusted numbers reported by the agency Chief Financial Officer and Inspector General and may differ from the “Ending” FY 2002 column as reflected in the 2003 Report.

Financial Management Improvement Initiatives

During FY 2003, the Administration continued its efforts to improve the financial management of the Federal Government through several different initiatives.

Strengthening Asset Management

Strengthening the management of the government's assets has been, and continues to be, an important objective of the Administration. According to its FY 2003 financial statements, the Federal Government owns approximately \$650 billion in Property, Plant, and Equipment (PP&E), up from \$325 billion in FY 2002, and \$240 billion in Inventories and Related Property, up from \$192 billion in FY 2002. The significant increase from FY 2002 to FY 2003 can mostly be attributed to the Department of Defense implementing a new accounting standard that now recognizes national defense PP&E as General PP&E in the government-wide balance sheet.

The government also holds title to approximately one in every four acres of the United States' entire land mass. It owns sites and structures, monuments, memorials, cemeteries, as well as the items in its museums and libraries, including major works of art and historical documents. The Administration continues to expect its assets be justified and accounted for, and that plans be made for purchases, management, maintenance, and operation.

The Administration has taken specific steps to improve the management of real property on a government-wide level. In early February, the President signed Executive Order 13327, which directed all major agencies to:

- Establish the position of a Senior Real Property Officer, who will be held accountable for the effective management of agency real properties;
- Determine what it owns, what it needs, and how and what it costs to manage its real properties;
- Develop and implement asset management plans;
- Develop and monitor real property performance measures; and
- Dispose of properties that are not needed.

The executive order also created an interagency Federal Real Property Council to develop guidance, serve as a clearinghouse for best practices, and facilitate the efforts of the agency senior real property officers.

In conjunction with the executive order, a new program initiative was added to the President's Management Agenda in February of 2004. This new Federal Real Property Asset Management initiative applies to the largest Federal landholding agencies, which will be given a "score" on the status and progress of their real property management improvement efforts on the quarterly PMA scorecard.

Over the next several years, it is the goal of this Administration for all major agencies to develop and implement effective asset management plans. Additionally, the work of the agencies and the

Federal Real Property Council should lead to the development of a comprehensive and descriptive database of all Federal real properties. Once complete, this database, along with appropriately identified performance measures, will assist agency management in making informed decisions about what properties are needed, being utilized effectively, or qualify for disposal.

Eliminating Improper Payments

As part of the PMA's Improved Financial Performance initiative in 2001, the Administration's efforts to eliminate improper payments initially focused on the Federal Government's major benefit programs. The Administration first identified those programs that make payments in excess of \$2 billion annually, and then required those agencies to assess the risk of, estimate the extent of, and put in place a strategy to eliminate improper payments. Based on the agencies' estimates of improper payments made in these programs – making nearly \$1 trillion in annual payments – improper payments exceed \$35 billion a year.

This fiscal year represents the first full year that OMB is implementing the Improper Payments Information Act (IPIA) of 2002, P.L. 107-300, which codifies and expands the President's initiative to eliminate improper payments. The IPIA extends the range of programs that the executive branch will assess to all Federal payment streams. Thus, with the passage of the IPIA, more programs making hundreds of billions of dollars in payments annually can now also be targeted.

In May of 2003, OMB issued guidance to agencies regarding how to go about complying with the requirements of the new law. As part of IPIA implementation, Federal agencies have established specific milestones to: 1) develop program inventories; 2) perform risk assessments to determine which programs are risk susceptible; 3) statistically sample those programs determined to be high risk; 4) create corrective action plans; and 5) establish baseline error rates and improvement targets for future reporting.

In addition to the previously reviewed \$1 trillion in Federal outlays, agencies have now identified an additional \$400 billion in risk susceptible outlays to date. Therefore, programs totaling at least \$1.4 trillion (or nearly 60%) of annual outlays will be subject to steps 3, 4, and 5 stated above. Agencies are on track to report the results of these efforts in the FY 2004 PARs.

While progress is being made, significant challenges do remain. Most notably, agencies are working to develop cost-effective approaches for tracking improper payments at each stage of the payment lifecycle. Agencies are committed to tracking and verifying the accuracy and appropriate use of payments from the point that payments are internally processed within an agency, through subsequent payment to any intermediary, and ultimately payment to the individual recipient. The more complex the program, the more challenging it becomes to monitor these payments, and thus, establish a national annual error rate. Nonetheless, even for the most complex programs, the Administration is developing solutions that will enable the implementation of appropriate financial management improvements, and obtain the information required to gauge results annually.

With regard to relevant legislation, the Administration was pleased that the “HUD Programs Information Verification Act” (H.R. 3030) was incorporated into P.L. 108-199 passed by the Congress earlier this year. The Federal Government provides rental subsidies to low income individuals to ensure their housing needs are met. To reduce the more than \$2 billion in net improper rental subsidy payments, the Administration proposed, and the Congress enacted, authority for the Department of Housing and Urban Development to access the National Directory of New Hires for the purpose of verifying the incomes of program beneficiaries to correctly determine their rental subsidies. The Administration has requested similar authority from Congress for other agency programs.

Fiscal Year 2004 is also the first reporting year for mandatory agency recovery auditing. Under Section 831 of the Defense Authorization Act for Fiscal Year 2002, 31 USC §§3561-3567, agencies that enter into contracts with a total value in excess of \$500 million in a fiscal year must carry out a cost-effective program for identifying errors made in paying contractors and for recovering amounts erroneously paid to the contractors. A required element of such a program is the use of recovery audits and recovery activities. Agencies have been directed to include this analysis as part of their improper payments reporting in their November 15th PAR submission.

Strengthening Controls over Federal Credit Cards

The Federal Government sponsors more than 2.5 million credit cards to use in purchasing goods and services, or for employees when traveling on official government business. These transactions translate into \$16.5 billion dollars spent through the use of purchase cards alone in FY 2003.

In the approximately 18 months since OMB began requiring quarterly credit card reporting of the agencies, we have begun to see some positive results. For instance, travel delinquency is at a record low, the number of open purchase card accounts is below 1998 levels, and the number of travel cards in circulation has been decreased by nearly 25 percent. Additionally, the “span of control,” which represents the number of cardholders per approving official, has been reduced to a ratio of 1:3.5. This ratio represents less than the best practice of 1:5 established by the General Services Administration, based on a private sector benchmark. Because on-time payment performance has improved, the amount of rebates has correspondingly increased.

While we continue to work to strengthen controls over Federal cards, additional improvements are still necessary. To illustrate, Congress recently introduced legislation to require agencies to perform a credit worthiness evaluation of any applicant for a Federal Government credit card, as well as to improve the contract arrangements between Federal agencies and government credit card vendors. OMB has organized an interagency working group tasked with developing general guidance to address these issues, as well as to provide a central repository containing a comprehensive list of card rules and requirements.

The Chief Financial Officers Council

The Chief Financial Officers (CFO) Act of 1990 created the CFO Council as a mechanism for advising and coordinating the activities of its member agencies on such matters as improved quality of financial information, financial data and information standards, consolidation and modernization of financial systems, internal controls, legislation affecting financial operations and organizations, and other financial management matters.

The CFO Council consists of the CFOs and Deputy CFOs of the 23 major Federal departments and agencies covered by the CFO Act of 1990 – collectively known as the “CFO Act agencies.” The Deputy Director for Management at OMB chairs the Council, and other members include the OMB Controller and the Fiscal Assistant Secretary of the Treasury. The CFOs of the Department of Homeland Security, the Executive Office of the President, and the Corporation for National and Community Service also participate in the efforts of the CFO Council.

CFO Act Agencies

Department of Agriculture
Department of Commerce
Department of Defense
Department of Education
Department of Energy
Department of Health and Human Services
Department of Housing and Urban Development
Department of the Interior
Department of Justice
Department of Labor
Department of State
Department of Transportation
Department of the Treasury
Department of Veterans Affairs
Agency for International Development
Environmental Protection Agency
General Services Administration
National Aeronautics and Space Administration
National Science Foundation
Nuclear Regulatory Commission
Office of Personnel Management
Small Business Administration
Social Security Administration

CFO Council Committees

The CFO Council accomplishes its goals through its committee structure, which was recently restructured to better align with emerging issues and the needs of the Federal financial community. In general, the committees serve to reinforce the President's Management Agenda and assist the agency CFOs. Following is a description of each committee, its recent accomplishments, and its plans for the future.

Best Practices

Co-Chair: Christopher B. Burnham, Assistant Secretary and Chief Financial Officer, Department of State

Co-Chair (Acting): JoAnne Boutelle, Deputy Chief Financial Officer, Department of Defense

In fiscal year 2003, the Best Practices Committee continued its primary objective of supporting the CFO Council's ability to resolve common financial management and business process challenges across Federal agencies through exposure to new ideas and strategies from "best practice" organizations and alternative perspectives of government and industry leaders.

The ultimate goal of the committee is to find the very best of government and the private sector and apply it to the stewardship of the departments and funds entrusted to the government by the American people. The overall focus is governance issues, and particularly internal controls and management controls.

The Best Practices Committee Charter, which was updated in April 2004, outlines the focus of the committee and the essential elements required to accomplish the President's vision for a Federal Government that is:

- Results-oriented;
- Market-based; and
- Citizen-centered.

In FY 2003, the committee hosted guest speakers on the following topics:

Internal Control/Best Practices. Although the Federal Government is not currently required to implement the Sarbanes-Oxley Act, the committee sponsored two speakers from KPMG to discuss provisions of the Act and "best practices" for potential agency implementation in the future. Specifically, the focus was on the importance of certifying financial statements, internal control over financial reporting in periodic reports filed with the SEC (section 302), annually assessing and reporting on internal controls (section 404), and the requirement for auditors to provide an attestation report on management's annual assessment. The challenge,

according to KPMG, is to design and implement an effective, efficient and sustainable compliance program for Sarbanes-Oxley.

Performance Management Metrics/Enterprise Financial Management Systems. The committee sponsored a speaker from IBM to discuss its success in turning the corporation from dependence on multiple disparate systems to a more productive streamlined process, which now provides more reliable information for decision makers. For example, the company was able to complete many different consolidations: 16,000 software programs were decreased to less than 6,000; 155 data centers were cut to 12; 21 private networks were reduced to one; 128 different Chief Information Officer (CIO) positions were consolidated into one; and hundreds of personal-computer configurations were distilled into four. IBM attributes its success to a strong re-organization and focus on a common worldwide planning system, single worldwide consolidation system, common geographic mega-centers, and a single worldwide financial information warehouse.

Over the next 12 months and beyond, the committee will continue to focus on the five specific areas identified by a survey of the CFO Act agencies. These topics include:

1. Enterprise Financial Management Systems;
2. Performance Management Metrics;
3. Cost Accounting/Cost Measurement;
4. Financial Statement Reporting Improvements; and
5. Travel Card Programs.

In addition, the committee will arrange for guest speakers on other best practice topics as dictated by current issues or as requested by CFO Council members. Over the next year, the committee will continue to survey CFO Council members in order to stay current on best practice areas of primary interest for Best Practice Committee members and the CFO Council.

Financial Management Policies and Practices

Chair: James L. Taylor, Deputy Chief Financial Officer, Department of Commerce

Since its inception in early FY 2004, the newly formed Financial Management Policies and Practices Committee has been comprised of representatives from Federal agencies who work collaboratively to identify and address emerging issues to improve financial management in the Federal Government.

The committee has been organized into three different subcommittees:

Financial Policy – to address emerging issues that will ultimately improve financial management in the Federal Government.

Accounting Standards – to ensure CFO Council participation in the standard setting process by providing viewpoints on proposed Federal Accounting

Standards Advisory Board (FASAB) Standards, Interpretations, Technical Bulletins, Technical Releases or Concepts.

Internal Control – to ensure coordination and consistency among internal control policies promulgated for executive departments and agencies.

Through the work of the full committee and three subcommittees, early efforts have included surveying the Federal agencies to determine the scope of internal control assurance being provided by management and auditors. In addition, the Committee has undertaken a project that will consider the costs and benefits of additional assurances on Federal department and agency internal controls.

For the remainder of FY 2004, the Committee will:

- Make recommendations related to the need for additional internal control assurances;

- Actively participate, at the appropriate time, in the accounting standard-setting process; and

- Provide input to OMB regarding specific financial reporting policies.

Over the next five years, the Committee will continue to:

- Identify and address emerging issues in financial management;

- Actively participate in the accounting standard-setting process; and

- Identify internal control policies.

Financial Reporting Acceleration

Chair: Donald Hammond, Fiscal Assistant Secretary, Department of the Treasury

The mission of the Financial Reporting Acceleration Committee is to help agencies identify and eliminate common barriers to issuing their PARs, including the reporting of their audited financial statements by November 15. It is anticipated that accelerating these agency submissions will consequently facilitate preparing and issuing the consolidated government-wide financial statements by December 15. This fiscal year marks the third year of operation of this committee.

The PMA lists Improved Financial Performance among its key initiatives, and the Financial Reporting Acceleration Committee strives to help all agencies “get to green” on the Administration’s scorecard. Timely financial information is essential to better program management and more effective stewardship of the nation’s resources. The committee is committed to helping agencies accelerate their annual reporting processes, but provides the greatest value by increasing agency awareness of common problems and their solutions, providing a forum for their discussion and resolution, and providing a key interface with the audit community on areas of mutual interest. While helping agencies accelerate their reporting processes remains the short-term focus, the committee realizes that the ultimate benefit will be facilitating the use of this information in agency management decisions.

This past year, the committee focused on identifying common critical issues and sharing best practices. The success of eight agencies in meeting the November 15 deadline a year early yielded ample lessons learned for discussion. In addition to conducting surveys of agencies on issues ranging from third-party data to cash reconciliation, the committee convened several conferences and workshops to discuss recent acceleration experiences. The sessions ranged in scope from general, multi-faceted discussions of annual reporting (e.g., financial statements, performance reporting, and audit concerns) to specific, focusing on agency use of estimates in their acceleration efforts. The combined active participation by both the CFO and audit communities added significant value to these sessions. The committee also provided a forum to present and discuss the new closing package, a vehicle intended to facilitate preparing the consolidated governmentwide financial statements.

Looking forward to the next fiscal year, the committee plans to focus on the following three areas:

1. *Continue to provide a forum to share best practices and identify and resolve issues with respect to financial acceleration.* The committee feels that its greatest value to Federal financial management is to provide forums to efficiently share the best practices and lessons learned of both those agencies that successfully met the November 15 deadline and those whose acceleration efforts fell short. Maintaining successful acceleration efforts is as important as achieving initial success. As such, the committee will continue to add value to the acceleration effort by continuing to provide best practices and lessons learned forums to facilitate ongoing acceleration, and identify ways to help agencies improve process efficiency. Increased efficiency enables organizations to spend less time on preparation and more time on analysis and use of the information.
2. *Continue to identify and resolve agency reporting issues that involve central agency (e.g., OMB, Treasury) financial reporting requirements (e.g., government-wide financial reporting, Federal Agencies Centralized Trial Balance System II) and agency financial and budgetary reporting processes.* Currently, agencies report financial data in a wide range of formats. While these varying formats all purport to ultimately convey the same or similar information, timing and source differences can often yield inconsistencies and differences that must be reconciled. Such inconsistencies pose a challenge for analysts and auditors, and complicate attempts to provide accurate financial management information from a government-wide perspective. Examples of government-wide reporting include the *Financial Report of the United States Government* and the President's Budget. Of particular importance are agency efforts to reconcile and resolve the more than \$160 billion in intragovernmental transaction differences. The committee will continue to help agencies resolve these and other issues by providing forums for interagency discussion, including meetings with central agency officials.
3. *Promote the use of accelerated financial information in day-to-day program and agency management.* Accelerating agency and government-wide financial reporting is only part of the goal. Agencies must also leverage the availability of accelerated

information to provide management with more current information to support decision-making; otherwise, the benefits of acceleration will be rendered superficial. Through the use of surveys and roundtable discussions, the Committee plans to help agencies to not only produce financial information more expeditiously, but to also find ways to make better use of that information.

The committee's success will be measured, on the surface, by the number of agencies that successfully meets the November 15th financial statement reporting deadline this fiscal year and beyond. However, success will also be measured, in part, by agencies' level of issue awareness and resolution, and the extent to which agency and government-wide financial reporting processes gain in efficiency.

Because the goal of the committee is to realize results and benefits in the short term, the Financial Reporting Acceleration Committee does not prepare a long-term plan. Rather, the ultimate measure of success will be achieved when the efforts of the committee are no longer needed, and each major agency is meeting the accelerated reporting deadlines.

Financial Systems and E-Government

Chair: Mark Carney, Deputy Chief Financial Officer, Department of Education

The Financial Systems and E-Government Committee actively helps to improve Federal financial systems and reporting. The committee champions systems that produce data needed to efficiently and effectively manage the day-to-day operations of the Federal Government and provide accountability to its taxpayers. The committee also seeks to demonstrate and promote standardization of financial data and the elimination of redundant Federal financial systems.

This past year, the committee participated in a number of key initiatives designed to transform the way the Federal Government as an enterprise deploys and uses information technology (IT). The committee also assists OMB in aligning the efforts of the CFO community with the broader government-wide technology initiatives.

During FY 2003, the committee worked with the Joint Financial Management Improvement Program (JFMIP) to refine the newly-introduced Federal Framework for Financial Management, which takes a much broader prospective than defining core financial systems requirements. The committee serves as a pivotal "straw man" for integrating data and systems across the Federal enterprise, as well as assists in updating the mandatory and value-added system requirements for core systems.

In cooperation with the Private Sector Council and JFMIP, the committee held a series of forums that brought together private sector systems experts and senior Federal executives. These forums served as a way to sound out current strategies in deploying commercial software and addressing interoperability challenges across a myriad of systems.

The committee also participated in the "Line of Business Initiative" for financial management and back office grants management systems. The initial goal of this effort is to develop common

solutions and target architectures for a line of business that considers business processes, technology, and data. These common solutions will be used in the development of business cases by OMB in the FY 2006 budget cycle.

In the last fiscal year, the committee also promoted the alignment of twenty-four “e-government” initiatives with the acquisition and IT communities. Expectations and needed commitments by the CFO community were defined to effectively implement these initiatives. The committee continues to encourage crosscutting e-Government initiatives such as e-Grants, e-Payroll, e-Travel, the Integrated Acquisition Environment, and the further refinement of the Federal Enterprise Architecture.

In cooperation with the National Academy of Public Administration, the committee also defined relevant issues and strategies for better data integration. In addition, the feasibility of a commercial off-the-shelf solution for budget formulation across the Federal Government is currently being examined.

In the coming years, the Financial Systems and E-Government Committee will continue to work to improve the Federal financial systems at agencies and to successfully promote the e-government initiatives. The committee will also continue to actively engage relevant Federal agencies and private sector groups to achieve its goals.

Improper Payments

Chair: Clarence Crawford, Associate Director for Management and Chief Financial Officer, Office of Personnel Management

Initially chartered in November of 2001, the Improper Payments Committee continues to assist agencies in identifying and eliminating improper payments within their programs and activities. In its efforts, the committee works closely with the Inspector General (IG) community through the Improper Payments Joint Working Group.

With the enactment of the IPIA in early FY 2003, the Improper Payments Committee spent the first half of the past fiscal year helping agencies to prepare for the challenges of implementing this law. For example, the committee worked with OMB in drafting its implementation guidance that was issued in May of 2003.

Additionally, the committee served as a venue for assisting the agencies to better understand the provisions of the Act, the subsequent OMB guidance, and the reporting requirements for FY 2004. As part of this effort, the committee held regular meetings, including a government-wide meeting in which private sector contractors were available to explain various methods for identifying and recovering improper payments.

Together, OMB and the CFO Council’s Improper Payments Committee are facilitating efforts to identify solutions and disseminate best practices among agencies. For example, the Departments of Agriculture and Housing and Urban Development are collaborating to develop a common approach for statistically sampling similar housing programs at the two agencies. In addition, the

Department of Labor is teaming with the Social Security Administration to share information verifying Social Security numbers, thereby reducing improper payments due to identity errors or fraud.

For the remainder of FY 2004 and beyond, the goals of the committee include the following:

- Devising a standard format for reporting IPIA activities and data in the FY 2004 PAR;

- Developing a coordinated government-wide approach for performing statistical sampling in the area of grant recipients and sub-recipients, to minimize burden on both payment recipients and Federal agencies;

- Determining how agencies can work within current resources to complete their samplings annually, and with the rigor required by OMB guidance; and

- Sharing best practices and common challenges to provide agencies with proven ways to accomplish the required legislative milestones, as well as a forum for brainstorming and resolving common challenges that agencies face in implementing their IPIA plans.

In the coming years, the Improper Payments Committee will continue to produce valuable deliverables to its members, as well as provide a constructive forum for discussing issues of importance to the CFO and IG communities.

Performance Measurement

Chair: Linda Combs, Assistant Secretary for Budget and Programs and Chief Financial Officer, Department of Transportation

The Performance Measurement Committee's objective is to establish a performance measurement system based on key financial management indicators so that government managers, Congress, and other stakeholders can assess the financial management health of both the Federal Government as a whole and each individual agency.

To achieve this goal, the committee is working to develop and refine: (i) a series of baseline and target financial metrics; (ii) a rigorous, consistent, and systematic agency reporting process; and (iii) a centralized system/database where data and results can be readily viewed by interested parties.

Although officially formed in FY 2004, members of the CFO Council began working on a financial performance measurement system as early as FY 2002. Therefore, several key milestones have already been achieved. Specifically, agencies have been reporting on "Phase 1" indicators since March of 2003, while "Phase 2" indicators are well under development. This fiscal year, the committee is well positioned to build on these accomplishments and work towards enhancing the system.

Key deliverables for FY 2004 include:

For Phase 1: defining government-wide and agency-specific targets, conducting a consistency assessment of agency reporting to ensure the validity and reliability of data, and making data and results available to the public through a web portal;

For Phase 2: completing definition of metrics and targets and commencing agency reporting; and

For Phase 3: identifying candidate metrics for future consideration.

Once the system is complete, managers and other interested parties will have a powerful tool for assessing Federal financial performance. For example, are the Federal Government and its individual agencies meeting goals to reduce unreconciled balances, increase the use of electronic funds transfers, reduce delinquent accounts receivables, and reduce travel and purchase card delinquencies? Having the means to track performance on indicators such as these help to guide financial management reforms and target resources to areas where better stewardship of Federal financial resources is truly needed.

Five Year Outlook

Over the next five fiscal years and beyond, we envision a Federal Government that, as a whole, increasingly achieves first class financial management practices. Currently, OMB's Director, Deputy Director for Management, and Controller – as well as the individual agency CFOs and the CFO Council as a whole – are all working to improve the government's financial management for the benefit of the American taxpayer.

The newly-aligned OFFM is now better positioned to assist agencies in improving their financial management practices. Over the next fiscal year and beyond, OFFM will continue to work closely with agency CFOs, agency IGs, and the CFO Council to strive toward achieving results through improved financial performance and management.

Specifically, each of the three branches of OFFM will continue to oversee Federal efforts to:

- Achieve unqualified opinions on all agency audited financial statements;
- Receive the first-ever unqualified opinion on the government-wide audited financial statement;
- Increase the regular use of timely and accurate financial information in day-to-day decision making and in operational execution;
- Reduce both auditor-reported and FFMIA material weaknesses;
- Identify and eliminate improper payments in agency programs and activities;
- Increase the number of sound and dependable financial systems;
- Successfully implement new agency financial management systems where appropriate;
- Strengthen asset management through the work of the Federal Real Property Council and agency Senior Real Property Officers;
- Strengthen control over agency Federal credit cards; and
- Improve the internal control at Federal agencies.

Additionally, the newly-restructured CFO Council – chaired by the OMB Deputy Director for Management – is also well-positioned to appropriately address the emerging issues and needs of the Federal financial community. Each of the six CFO Council committees serves to assist the agency CFOs in key financial management issues and initiatives.

In the next five fiscal years, we expect the CFO Council and its committees to, where appropriate, identify issues and projects, provide a forum for discussion, survey agencies, develop strategies, share best practices, and make proposals. With specific regard to Federal financial management systems, we anticipate the Financial Systems and E-Government Committee to continue to evaluate ways in which agencies, and the government as a whole, may improve systems integration and increase systems sharing.

OFFM and the CFO Council look forward to continued efforts toward improved financial management and accountability throughout the Federal Government.

Appendix A: Summary of FY 2003 Financial Statement Results by Agencies and Selected Components

The 23 CFO Act agencies are required under the CFO Act to prepare annual audited financial statements. OMB also designates those individual agency components that must prepare audited financial statements.

Fiscal Year 2003 Financial Statements	
Agency	Type of Opinion
<i>CFO Act Agencies:</i>	
Department of Agriculture (USDA)	Unqualified
Department of Commerce (DOC)	Unqualified
Department of Defense (DOD)	Disclaimer
Department of Education (Education)	Unqualified
Department of Energy (DOE)	Unqualified
Department of Health and Human Services (HHS)	Unqualified
Department of Homeland Security (DHS)*	Disclaimer
Department of Housing and Urban Development (HUD)	Unqualified
Department of the Interior (DOI)	Unqualified
Department of Labor (DOL)	Unqualified
Department of Justice (DOJ)	Unqualified
Department of State (State)	Unqualified
Department of Transportation (DOT)	Unqualified
Department of the Treasury (Treasury)	Unqualified
Department of Veterans Affairs (VA)	Unqualified
Agency for International Development (USAID)	Unqualified
Environmental Protection Agency (EPA)	Unqualified
General Services Administration (GSA)	Unqualified
National Aeronautics and Space Administration (NASA)	Disclaimer
National Science Foundation (NSF)	Unqualified
Nuclear Regulatory Commission (NRC)	Unqualified

Office of Personnel Management (OPM)	Unqualified
Small Business Administration (SBA)	Disclaimer
Social Security Administration (SSA)	Unqualified
<i>Agency Components:</i>	
Food and Nutrition Service (USDA)	N/A**
Forest Service (USDA)	Unqualified
Rural Development Mission Area (USDA)	Unqualified
Department of Army General Funds (DOD)	Disclaimer
Department of Navy General Funds (DOD)	Disclaimer
Department of Air Force General Funds (DOD)	Disclaimer
Military Retirement Trust Fund (DOD)	Unqualified
U.S. Army Corp of Engineers Civil Works Program (DOD)	Disclaimer
Department of Army Working Capital Fund (DOD)	Disclaimer
Department of Navy Working Capital Fund (DOD)	Disclaimer
Department of Air Force Working Capital Fund (DOD)	Disclaimer
Centers for Medicare and Medicaid Services (HHS)	Unqualified
Federal Aviation Administration (DOT)	Unqualified
Highway Trust Fund (DOT)	Unqualified
Internal Revenue Service (Treasury)	Unqualified
Civil Service Retirement and Disability Fund (OPM)	Unqualified
Federal Employees Health Benefits Program (OPM)	Unqualified
Federal Employees Life Insurance Program (OPM)	Unqualified

* The Department of Homeland Security (DHS) is not a CFO Act agency. However, DHS prepared and submitted audited financial statements in the first year of its existence.

** Agency component received OMB waiver from audit for FY 2003.

Appendix B: Material Weaknesses Reported by Auditors and Federal Managers' Financial Integrity Act Tables

OMB audit guidance requires auditors to disclose material weaknesses in internal control over financial reporting. The Federal Managers' Financial Integrity Act (FMFIA) of 1982 and OMB guidance require the head of each executive agency to annually report whether there is reasonable assurance that the agency's controls are achieving their intended objectives and whether the agency's financial management systems conform to government-wide requirements.

Agency heads are required to identify material weaknesses related to agency programs and operations (pursuant to Section 2 of FMFIA) and nonconformances with government-wide financial systems requirements (pursuant to Section 4 of FMFIA). Reporting of material weaknesses under FMFIA is not limited to weaknesses over financial reporting.

The following tables include: the number of material weaknesses reported by independent auditors, the number of material weaknesses reported by agency heads under Section 2 of FMFIA, and the number of financial system nonconformances reported by agency heads under Section 4 of FMFIA.

**Fiscal Year 2003:
Auditor-Reported Material Weaknesses**

	Beginning*	New	Resolved	Consolidated	Ending
Agriculture	4	0	1	0	3
Commerce	1	0	1	0	0
Defense	13	0	2	0	11
Education	1	0	1	0	0
Energy	0	0	0	0	0
HHS	2	0	0	0	2
Homeland	0	7	0	0	7
HUD	3	0	0	1	2
Interior	6	0	2	0	4
Justice	2	0	1	0	1
Labor	0	0	0	0	0
State	1	0	1	0	0
DOT	5	2	3	0	4
Treasury	4	0	2	0	2
VA	2	0	0	0	2
AID	7	2	6	0	3
EPA	0	0	0	0	0
GSA	0	1	0	0	1
NASA	2	2	0	0	4
NSF	0	0	0	0	0
NRC	1	0	1	0	0
OPM	0	0	0	0	0
SBA	5	0	2	1	2
SSA	0	0	0	0	0
Totals	59	14	23	2	48

* The "Beginning" column reflects the adjusted numbers reported by the agency Chief Financial Officer and Inspector General and may differ from the "Ending" column in FY 2002 as reflected in the 2003 Report.

**Fiscal Year 2003:
Section 2 Reporting in Agency FMFIA Reports**

	Adequate and Effective Management Controls			Number of Material Weaknesses					
	Yes	Yes, with Material Weaknesses*	No	Beginning**	New	Resolved	Consolidated	Reassessed	Ending
Agriculture		X		17	1	5	0	7	6
Commerce		X		1	0	0	0	0	1
Defense		X		70	10	25	15	0	40
Education	X			3	0	3	0	0	0
Energy	X			0	0	0	0	0	0
HHS		X		1	0	0	0	1	0
Homeland		X		10	2	0	0	0	12
HUD		X		1	0	0	0	0	1
Interior		X		11	0	0	0	1	10
Justice		X		10	0	8	0	0	2
Labor	X			0	0	0	0	0	0
State	X			0	0	0	0	0	0
DOT		X		4	2	2	0	1	3
Treasury		X		15	0	3	0	5	7
VA		X		1	0	0	0	0	1
AID			X	2	0	0	0	0	2
EPA	X			0	0	0	0	0	0
GSA	X			3	0	2	0	1	0
NASA		X		1	1	0	0	0	2
NSF	X			0	0	0	0	0	0
NRC	X			0	0	0	0	0	0
OPM	X			0	0	0	0	0	0
SBA		X		0	2	0	0	0	2
SSA	X			0	0	0	0	0	0
TOTAL	10	13	1	150	18	48	15	16	89

*Agency head has provided overall assurance that the agency has adequate and effective management controls, except for the material weaknesses identified.

** The "Beginning" column reflects the adjusted numbers reported by the agency Chief Financial Officer and Inspector General and may differ from the "Ending" column in FY 2002 as reflected in the 2003 Report.

**Fiscal Year 2003:
Section 4 Reporting in Agency FMFIA (or Accountability) Reports**

	Systems Conform to Requirements			Number of Nonconformances					
	Yes	Yes, with Non - conformances*	No	Beginning**	New	Resolved	Consolidated	Reassessed	Ending
Agriculture		X		2	0	0	0	0	2
Commerce	X			1	0	1	0	0	0
Defense		X		1	0	0	0	0	1
Education	X			1	0	1	0	0	0
Energy	X			0	0	0	0	0	0
HHS			X	1	0	0	0	0	1
Homeland		X		0	3	0	0	0	3
HUD			X	2	0	0	1	0	1
Interior			X	1	0	0	0	0	1
Justice		X		4	0	2	0	0	2
Labor	X			0	0	0	0	0	0
State	X			1	0	1	0	0	0
DOT		X		1	0	0	0	0	1
Treasury		X		5	0	1	1	1	2
VA		X		3	0	1	0	0	2
AID			X	1	0	0	0	0	1
EPA	X			0	0	0	0	0	0
GSA		X		2	1	0	0	0	3
NASA		X		0	0	0	0	0	0
NSF	X			0	0	0	0	0	0
NRC	X			0	0	0	0	0	0
OPM	X			0	0	0	0	0	0
SBA	X			1	0	0	0	0	1
SSA	X			0	0	0	0	0	0
TOTAL	11	9	4	27	4	7	2	1	21

* Agency head has provided overall assurance that the agency has adequate and effective management controls, except for the non-conformances identified.

** The "Beginning" column reflects the adjusted numbers reported by the agency Chief Financial Officer and Inspector General and may differ from the "Ending" column in FY 2002 as reflected in the 2003 Report.

Appendix C: Government Corporations Required to Submit Audited Financial Statements to OMB

	FY 2003 Opinion
Community Development Financial Institutions Fund	Unqualified
Corporation for National and Community Service	Unqualified
Export-Import Bank of the United States (EX/IM)	Unqualified
Federal Crop Insurance Corporation	Unqualified
Federal Deposit Insurance Corporation	Unqualified
Federal Home Loan Banks	Unqualified
Federal Housing Administration Fund	Unqualified
Federal Prison Industries, Incorporated	Unqualified
Financing Corporation	Unqualified
Government National Mortgage Association	Unqualified
Millennium Challenge Corporation	N/A*
National Credit Union Administration Central Liquidity Facility	Unqualified
Overseas Private Investment Corporation	Unqualified
Pension Benefit Guaranty Corporation	Unqualified
Resolution Funding Corporation	Unqualified
Rural Telephone Bank	Unqualified
Saint Lawrence Seaway Development Corporation	Unqualified
Tennessee Valley Authority	Unqualified

* The first set of audited Financial Statements will not be available until March 31, 2005.




Appendix D: Executive Branch Management Scorecard

The Office of Management and Budget (OMB), in consultation with the agencies, professional associations, and academics, established Standards for Success for each government-wide initiative of the President's Management Agenda. Each quarter, OMB grades each agency on its current status, as well as its progress, toward meeting the established standards. An agency's status and progress are rated using the familiar stoplight colors of red, yellow, and green.




The following Executive Branch Management Scorecard shows the Current Status and Progress scores on the PMA's initiative for Improving Financial Performance. Over the past fiscal year, several agencies have improved their financial performance scores. These agencies are on their way toward achieving first class financial management practices.

Improved Financial Performance

Explanation of Current Status Score

		
<p>Agency: Receives an unqualified audit opinion on its annual financial statements;</p> <p>Meets financial statement reporting deadlines;</p> <p>Reports in its audited annual financial statements that its systems are in compliance with the Federal Financial Management Improvement Act;</p> <p>Produces accurate financial information on demand;</p> <p>Routinely assesses performance and financial information which its managers use to make day-to-day decisions;</p> <p>Has no chronic or significant Anti-Deficiency Act violations, has no material auditor-reported internal control weaknesses;</p> <p>Has no material non-compliance with laws or regulations, agency head provides an unqualified statement of assurance in its annual accountability report.</p>	<p>Agency: Produces accurate financial information on demand <u>OR</u></p> <p>Routinely assesses performance and financial information which its managers use to make day-to-day decisions;</p> <p><u>AND</u></p> <p>Reports in its audited annual financial statements that its systems are in compliance with the Federal Financial Management Improvement Act;</p> <p>Has no chronic or significant Anti-Deficiency Act Violations;</p> <p>Has no repeat material auditor-reported internal control weaknesses; auditor expresses an opinion on the annual financial statements; meets financial reporting deadlines; and has no material non-compliance with laws or regulations; and</p> <p>Provides an unqualified statement of assurance in its annual accountability report.</p>	<p>Agency: Cannot report in its audited annual financial statements that its systems are in compliance with the Federal Financial Management Improvement Act;</p> <p>Commits chronic or significant Anti-Deficiency Act Violations;</p> <p>Has repeat material auditor-reported internal control weaknesses;</p> <p>Gets a disclaimer of opinion on its annual financial statement;</p> <p>Does not meet financial reporting deadlines;</p> <p>Is in material non-compliance with laws or regulations; <u>OR</u></p> <p>Provides a qualified statement of assurance in its annual accountability report.</p>

Explanation of Progress Score

		
<p>Green – Implementation is proceeding according to plans</p>	<p>Yellow – Slippage in implementation schedule, quality of deliverables, or other issues requiring adjustments by agency in order to achieve initiative on a timely basis.</p>	<p>Red – Initiative in serious jeopardy. Unlikely to realize objectives without significant management intervention</p>

**Executive Branch Management Scorecard
Financial Management (Baseline - Current)**

	Current Status					Progress				
	FY02 Q2	FY03 Q3	FY03 Q4	FY04 Q1	FY04 Q2	FY02 Q2	FY03 Q3	FY03 Q4	FY04 Q1	FY04 Q2
	AGRICULTURE	●	●	●	●	●	●	●	●	●
COMMERCE	●	●	●	●	●	●	●	●	●	●
DEFENSE	●	●	●	●	●	●	●	●	●	●
EDUCATION	●	●	●	●	●	●	●	●	●	●
ENERGY	●	●	●	●	●	●	●	●	●	●
EPA	●	●	●	●	●	●	●	●	●	●
HHS	●	●	●	●	●	●	●	●	●	●
HOMELAND		●	●	●	●		●	●	●	●
HUD	●	●	●	●	●	●	●	●	●	●
INTERIOR	●	●	●	●	●	●	●	●	●	●
JUSTICE	●	●	●	●	●	●	●	●	●	●
LABOR	●	●	●	●	●	●	●	●	●	●
STATE	●	●	●	●	●	●	●	●	●	●
DOT	●	●	●	●	●	●	●	●	●	●
TREASURY	●	●	●	●	●	●	●	●	●	●
VA	●	●	●	●	●	●	●	●	●	●
AID	●	●	●	●	●	●	●	●	●	●
Corps of Eng	●	●	●	●	●	●	●	●	●	●
FEMA	●					●				
GSA	●	●	●	●	●	●	●	●	●	●
NASA	●	●	●	●	●	●	●	●	●	●
NSF	●	●	●	●	●	●	●	●	●	●
OMB	●	●	●	●	●	●	●	●	●	●
OPM	●	●	●	●	●	●	●	●	●	●
SBA	●	●	●	●	●	●	●	●	●	●
SMITHSONIAN	●	●	●	●	●	●	●	●	●	●
SSA	●	●	●	●	●	●	●	●	●	●



<http://www.whitehouse.gov/omb/financial>