

Chief Financial Officer's Letter



Creating a more efficient and effective government is a continuous endeavor. Unlike a race with a finish line, this is a journey where achievements and successes result from sustained day-to-day efforts to improve how we deliver services to the public and to produce measurable results. Our overall goal must reach beyond accurate and timely information. In the past, Federal financial management has resembled the bystander in the story of the lost hot air balloonist. The bystander accurately tells the balloonist how high he is, but provides nothing useful to help the balloonist find his way. A similar affliction affects the proverbial frog at the bottom of the well, who provides in-depth information but of such narrow scope that it is irrelevant. These stories highlight the need for information that is timely, accurate, and *relevant* with a clear and definable perspective.

Four pillars support much of the Department's success in improving financial management and realizing success on this journey: *leadership, ownership, value, and effectiveness*. These are not passive ideals that can be taken for granted. Even one weak pillar can cause a vital initiative to collapse, impeding the Department's mission to create a prepared, secure, and competitive workforce and quality workplaces.

Leadership. Implementing and sustaining necessary institutional initiatives requires the support of senior management. The leadership of Secretary Elaine L. Chao, her senior management team, each Departmental agency head, and every manager is instrumental to the effective stewardship of all DOL programs. Secretary Chao has led and supported our efforts to make sound financial management a priority at the Department—from improving internal controls to forging an environment where integrated financial and performance information correlates with improving program results.

Ownership. For an initiative to be sustainable, managers must make a personal investment in the endeavor and do so because they recognize the positive day-to-day impact on their programs. Without embedding ownership, a new initiative often becomes another well-intentioned, but unsustainable, management fix. Ownership also creates an environment where the leader is dedicated to the eventual success of the program. Ownership means management has adopted the initiative as a tool that not only works, but is something with which they want to work.

Value. Financial managers must be able to identify the relative value of every management tool. As fiduciary agents of the Federal government, managers' time must be spent in the most efficient and effective manner possible. Finding new tools and processes to make day-to-day operations more efficient is extremely important.

Effectiveness. With each initiative, we must evaluate whether the results justify the costs incurred to obtain them. Maximizing each dollar's impact on programs and services is one of our key goals. With finite resources, effectiveness and efficiency become ever more critical to obtaining results.

This past year, our journey has passed several milestones that indicate that we are headed in the right direction. Some highlights include:

- As a Department, we became the first Federal agency to obtain an overall “green” rating for each of the initial five areas of the President's Management Agenda (PMA).
- By the close of FY 2005 we had achieved a sixth “green” rating for our efforts to eliminate improper payments. Our Unemployment Insurance (UI) and Federal Employees Compensation Act (FECA) programs saw a combined reduction of over half a billion dollars in FY 2005, exceeding our targeted goals.
- We received our ninth consecutive clean audit opinion on our consolidated financial statements and our fifth consecutive *Certificate of Excellence* from the Association of Government Accountants (AGA).

- The Department successfully transferred its payroll operations to the National Finance Center as part of the Government-wide e-Payroll initiative to consolidate and standardize Federal civilian payroll services.
- DOL became the first Federal agency to pilot an end-to-end eTravel system, and intends to deploy the full system by the end of FY 2006.

These pillars also are evident in the significant strides we have made to implement managerial cost accounting to determine the “true cost” of provided services. By integrating financial and performance information, program managers and senior executives can evaluate operations more quickly with better information than ever before. Stakeholders recognize the value of this resource in making more informed decisions, and their support of this initiative has contributed to its great success and recognition as a model for other Federal agencies to follow. The use of integrated financial and performance information in day-to-day operational decisions is a true paradigm shift towards greater accountability and responsibility for resource stewardship. Managerial cost accounting supports the production of this Performance and Accountability Report by enabling the Department to report the full costs of our strategic, outcome, and performance goals for the first time.

The four pillars provide essential support for effective internal control. Identifying risks, implementing compensating controls, and monitoring the effectiveness of those controls are essential for ensuring that we use resources effectively to achieve desired results. Every employee of the Department must recognize his or her responsibility to promote internal controls and improve the accountability and transparency of our programs and missions. We have taken this responsibility to heart. I am pleased to report that as I celebrate my fourth year in office, once again the Secretary has assured the President and the Congress that the Department complies with the Federal Managers' Financial Integrity Act (FMFIA). Our continuing challenge is the transformation of internal control into an integral part of the Department's entire cycle of planning, budgeting, management, accounting, and auditing.

As our journey continues, we face new challenges such as responding to the critical national needs that have arisen in the aftermath of recent natural disasters. Our fiduciary responsibilities become ever more crucial as diverse programs require funding from finite resources, meaning that we must continue to extract improved results from shrinking funds. How well we succeed will depend largely on our ability to build upon the positive results we have attained to this point.

The success of each initiative undertaken at the Department of Labor ultimately must be judged by whether the initiative is sustained over time and has become a part of the management culture. There are no shortcuts on our journey to improve financial management and enhance fiscal integrity. A lasting legacy and reaching our goals come only through strong leadership, managerial ownership, programmatic value, and results-driven effectiveness.



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Chief Financial Officer

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