

A MESSAGE FROM THE CHIEF FINANCIAL OFFICER

January 31, 2002

The Fiscal Year (FY) 2002 consolidated financial statements for the Department of Justice (DOJ) mark the second year that DOJ has earned an unqualified audit opinion on all its statements. I want to extend my appreciation to the individuals and organizations whose dedication made the FY 2002 unqualified opinion possible.

This year, in pursuit of the Attorney General's Strategic Goal 8.2, Improve Financial Management, our components worked to correct the internal control weaknesses in their accounting practices and financial systems. I am pleased to report that the number of component-level material weaknesses were reduced again this year. While we still have major improvements ahead of us, the commitment of our financial management and program staff was visible throughout the year. I would like to particularly note the accomplishments of the Drug Enforcement Administration (DEA). DEA's year-long commitment to its audit corrective action plan enabled DEA to improve from four material weaknesses in FY 2001 to no material weaknesses this year.

At the Department level, the independent auditors reported two material weaknesses and related noncompliances: first, components did not always adhere to proper federal accounting practices, which also impedes their financial statement preparation and reporting abilities, and second, our financial systems did not meet federal standards. Two fundamental impediments impact DOJ's ability to correct these weaknesses. First, many offices are not managing their obligations, accruing their costs, or billing for reimbursable revenue monthly. Instead, these activities are substantially performed at year-end under short deadlines, with resulting inaccuracies. Second, many DOJ financial systems are outdated or do not fully comply with federal accounting or systems standards; in fact, three of the nine component-level material weaknesses reported by the independent auditors are related to financial systems. Because the ability to improve our financial management performance and eliminate control weaknesses is significantly dependent on our systems, it is critical that DOJ improve its financial system status.

We are in the second year of a major initiative to radically change our business practices and modernize our financial management systems through the Attorney General's Unified Financial Management System Project. In May of 2003 we are scheduled to announce the acquisition of a commercial off-the-shelf core financial system package that is certified as federally compliant by the Joint Financial Management Improvement Program (JFMIP). Implementation of the new system will occur between FY 2004 and FY 2007. Critical to this initiative is the idea that DOJ's fundamental business practices will be re-engineered and standardized concurrent with the implementation of the unified financial system.

FY 2003 will be a year of tremendous challenge and opportunity for us. We will work aggressively this year to eliminate the material weaknesses in our accounting practices, and implement interim corrective procedures to address the most critical weaknesses in our current systems. And, we will remain committed to focusing our efforts on the deployment of our new unified financial system.



Paul R. Corts

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