



## **MESSAGE FROM THE ASSISTANT SECRETARY FOR BUDGET AND PROGRAMS & CHIEF FINANCIAL OFFICER**



The Department of Transportation (DOT) made great strides in enhancing our budget, performance and financial management programs during Fiscal Year (FY) 2006. By integrating these programs, we can use performance and financial information to make better budget and business decisions for DOT programs, as demonstrated in this Performance and Accountability Report. For the first time this year, we brought representatives of our budget, performance and financial management staffs together for a joint training workshop to discuss common issues and determine our strategy for moving forward together.

This was our first year operating under the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), which was passed in August 2005 to reauthorize surface transportation programs for four years. SAFETEA-LU provides for increased transportation infrastructure investment, strengthens transportation safety and environmental programs, and continues core research activities.

The Secretary is leading a new commission established by Congress to develop innovative funding strategies for future surface transportation programs. Another challenge for the future is the reauthorization of DOT's aviation programs; planning and budget development for this effort are underway.

### **PRESIDENT'S QUALITY AWARD FOR BUDGET-PERFORMANCE INTEGRATION**

DOT is proud that we received the President's Quality Award this year for our outstanding budget-performance integration program. DOT routinely uses performance information to make funding decisions during the budget formulation process. We strive to reflect the results achieved by our Operating Administrations by providing links between resources and performance attained.

DOT also received the President's Quality Award for Competitive Sourcing this year. DOT is proud to be the only Department to receive two President's Quality Awards in FY 2006.

### **EXCELLENCE IN FINANCIAL MANAGEMENT**

Over the past three years, DOT has continued to realize significant benefits from our state-of-the-art financial system. This year, we further enhanced our Financial Statement Solution, which produces statements from our core accounting system overnight at the end of each month, at the end of the fiscal year, and anytime on demand. In conjunction with a government-wide



accounting code initiative led by the Office of Management and Budget (OMB), we are planning enhancements to our accounting classification structure to support improved financial operations and to make our financial information and reports more useful to DOT program managers.

In 2003, DOT became the first cabinet-level agency to finish converting all our organizations to a new financial management system that runs on a cost-effective single production instance for 17 Sets of Books. DOT's financial system uses non-customized commercial off-the-shelf software to minimize upgrade costs (we have successfully upgraded our system four times) and currently supports 4,000 users.

In February 2005, the President's budget named DOT one of four government-wide Centers of Excellence for financial management. These Federal Shared Service Providers were designated to offer financial systems and accounting services to other Federal agencies. DOT's Center, called the Enterprise Services Center (ESC), is hosted at the Mike Monroney Aeronautical Center in Oklahoma City. In 2005, DOT became the only Center to competitively select a private sector business partner to help market to new customers and implement them on our financial system.

This summer DOT signed our fourth customer when the Government Accountability Office (GAO) selected DOT's financial system in a competitive process. GAO will be implemented on DOT's system in October 2007. GAO joins DOT's first three customers, the National Endowment for the Arts, the Commodity Futures Trading Commission, and the Institute for Museum and Library Services. Three of our customers have also contracted with DOT's Center to provide accounting services including Accounts Receivable, Accounts Payable, Supplier Table maintenance, monthly closing and reconciliation, and financial reporting.

## **CONSOLIDATING OPERATIONS AND SYSTEMS**

DOT also made great progress in consolidating our accounting operations at the ESC. During FY 2006, we completed consolidating nine Federal Aviation Administration (FAA) regional accounting offices at the ESC at an estimated savings of \$4.9 million. We will migrate the accounting services of our last two Operating Administrations to the ESC during FY 2007. Consolidating accounting services provides significant economies of scale and supports our efforts to further streamline and standardize our processes and implement best practices.

In addition to consolidating accounting services, DOT has an active program to consolidate and sunset redundant financial systems that have grown up over many years. During FY 2006, DOT sunset the following systems: our legacy payroll and Human Resources (HR) systems (replaced by Interior's Federal Personnel and Payroll System [FPPS]), our legacy Time and Attendance and labor distribution system (replaced by a new server- and Web-based system interfaced with FPPS and DOT's accounting system), our legacy HR analysis and reporting system (replaced by the



FPPS Data Mart), the Transportation Safety Institute's legacy procurement system (consolidated with the Volpe National Transportation Systems Center's procurement system), and six travel management systems (replaced by our new e-Travel system).

### **NEW E-TRAVEL SYSTEM**

During FY 2006, DOT built on our history of innovation in travel management by implementing one of the new e-travel systems selected by the General Services Administration under OMB's e-Gov program. DOT has more travel transactions flowing through a new e-travel system than any other department, and we have developed and implemented the most sophisticated automated interface from the e-travel system to our financial system, including real-time funds checking. At the same time, DOT has remained vigilant and has successfully kept our travel card delinquency rate below one percent.

### **NEW INTERNAL CONTROL PROGRAM**

During FY 2006, DOT developed and implemented the first year of our in-depth two-year Internal Control program to meet the revised requirements of OMB Circular A-123, *Management's Responsibility for Internal Control*. Each DOT entity conducted internal control environment surveys, and we identified 12 key business processes. This year we documented, assessed risk and extensively tested the first six of these 12 key processes. Corrective action plans have been developed and are being implemented to address the findings, none of which were material. Our auditors determined that our Internal Control program was in compliance with OMB requirements.

To ensure effective implementation and oversight of our Internal Control program, in 2005 DOT established an Internal Control Senior Advisory Team and an Internal Control Working Group. To avoid duplication of effort, we are integrating our Internal Control program with our CFO audits, with our Federal Managers Financial Integrity Act program, and with our innovative Improper Payments Information Act (IPIA) program, which this year sampled 1,500 highway projects across the country and developed a nationwide improper payment rate. This year we also developed component improper payment rates for transit and aviation programs. Together, these efforts improved our progress score on the President's Management Agenda goal for IPIA.

### **NEW INTERAGENCY AGREEMENT POLICY AND PROCESS**

Culminating an extensive two-year collaborative effort involving all DOT Operating Administrations, we recently developed and issued a new policy and business process for inter- and intra-agency agreements. The new policy and process are being implemented throughout DOT during FY 2007. This effort will greatly facilitate eliminations on financial statements; this has long been recognized as a significant problem for all government agencies.

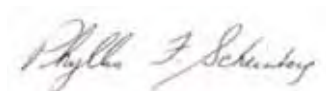
## MANAGERIAL COST ACCOUNTING

Managerial cost accounting enables program managers to analyze and manage program costs accurately and timely. DOT Operating Administrations have been working aggressively to implement managerial cost accounting for several years. Examples include:

- During FY 2006, the FAA completed implementing its Cost Accounting System (CAS) for its remaining two lines of business, Aviation Safety and Airports. FAA has also implemented labor distribution reporting in all lines of business, covering over 45,000 employees.
- The Federal Highway Administration is developing a new capability in our accounting system to make program, project, and task information available to Federal Lands Highway Program managers, engineers, and financial managers; this new capability will be implemented in FY 2007.
- The Federal Transit Administration has begun using labor distribution reporting to assign salary and benefit expenses to programs and is consolidating administrative, salary, benefit and grant expenses from various systems to provide that information to program managers.
- DOT's leadership and progress in cost accounting was recognized in the GAO report *Managerial Cost Accounting (MCA) in the Departments of Education, Transportation, and Treasury*. We are continuing to integrate program and accounting data and to expand cost accounting within DOT.

## CONCLUSION

FY 2006 has been another productive year in our efforts to enhance and strengthen our budget, performance and financial management programs. Looking back, we see that we are far ahead of where we were only a few short years ago. Building on our accomplishments, we will continue to develop and implement CFO initiatives so that we can better demonstrate the financial and program results the American people expect and deserve.



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