



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



The Department of Transportation (DOT) has significantly improved its financial management over the last year. It is now two years since we became the first cabinet level agency to finish converting all our organizations to a state-of-the-art financial management system. Our 3,500 system users are realizing significant benefits from the new system, including receiving financial statements produced from our core accounting system monthly and at the end of the fiscal year. We are very proud that we have earned an unqualified audit opinion on the DOT consolidated financial statements for the last 5 years and that we have continued to meet the accelerated deadline for audited financial statements.

In July 2005, I issued a new policy that enhances the organizational placement and oversight functions of the Chief Financial Officer (CFO) in each DOT Operating Administration. The effectiveness of our financial managers is enhanced by our Departmental CFO Council and the specialized financial workgroups we have established to resolve specific issues.

The FY 2005 financial audit determined that two material weaknesses have been downgraded to reportable conditions (reconciliation within DOT and with other Federal agencies, and financial systems controls). While significant progress has also been made on grants oversight and financial reporting for Highway Trust Fund agencies, they remain material weaknesses. In addition, the Federal Aviation Administration (FAA) has a new material weakness in timely processing of transactions and reconciliation of accounts. Solutions for correcting audit weaknesses and noncompliance include better oversight and stronger controls over financial operations. We are committed to correcting these issues as quickly as possible.

DESIGNATED A FINANCIAL MANAGEMENT CENTER OF EXCELLENCE

In February 2005, the President's FY 2006 budget named DOT as one of four government-wide Financial Management Centers of Excellence. Through this designation, other Federal agencies are encouraged to take advantage of the experience and expertise DOT developed as we implemented our new financial system. By using DOT's financial system, other agencies lower their cost and risks in adopting a new financial system and realize significant economies of scale. Joining our first customer, the National Endowment for the Arts, are two new customers, the Commodity Futures Trading Commission and the Institute for Museum and Library Services, which recently signed up to use our financial system and accounting services.

ACCOMPLISHMENTS IN IMPROVING FINANCIAL MANAGEMENT

In addition to our new processes for monthly and year-end closing and producing financial statements, we have established a new reimbursable agreement reconciliation process and developed a new chart of accounts and sets of books for the Department's two new organizations: the Pipeline and Hazardous Materials Safety Administration and the Research and Innovative Technology Administration.



WE ARE ALSO:

CONSOLIDATING ACCOUNTING OPERATIONS. A critical element in strengthening our financial management programs has been to consolidate accounting operations at the Department's Enterprise Services Center, which is operated by the FAA's Mike Monroney Aeronautical Center in Oklahoma City. Accounting functions for nearly all remaining DOT organizations will be consolidated during FY 2006. We are also working closely with the Department's Senior Procurement Executive and the procurement community to be able to interface procurement data directly into our financial system. This will complete the effort started by the FAA, which conducts a majority of DOT procurements and already has its procurement system integrated with the Department's financial system.

IMPLEMENTING MANAGERIAL COST ACCOUNTING. The FAA, whose cost accounting system now covers about 90% of its budget, is currently working to implement cost accounting for the two remaining lines of business. During the last quarter of FY 2005, the Federal Highway Administration began implementing labor distribution reporting through the Department's new Time and Attendance and Labor Distribution system. The Federal Transit Administration completed its pilot test on labor distribution reporting, and the entire agency will be reporting labor hours in January 2006, in preparation for full implementation of managerial cost accounting in March 2006.

CONSOLIDATING REDUNDANT FINANCIAL SYSTEMS. In early 2004, we completed the sunset of our legacy accounting system, and in early 2006 we are sunsetting our legacy personnel, payroll, and time and attendance systems. Under the Office of Management and Budget (OMB) e-Payroll initiative, during FY 2005 we migrated our 55,000 employees to the Department of the Interior's Federal Personnel and Payroll System. In conjunction with this migration, we upgraded our Time and Attendance and Labor Distribution system to support managerial cost accounting throughout the Department; full implementation of labor distribution will be completed in FY 2006. Also in FY 2006, we will sunset half a dozen legacy travel systems as we complete the Department-wide implementation of our new GovTrip e-Travel system, which is interfaced with the Department's financial system and replaces an earlier self booking system, authorization/voucher processing system, and travel management services with one paperless end-to-end travel solution.

PRESIDENT'S MANAGEMENT AGENDA

The Department has maintained our five *green* scores among eight initiatives on the President's Management Agenda (PMA) goals. For the budget and performance integration goal, we identified efficiency measures for all programs that have been scored by the Program Assessment Rating Tool (PART) and provided marginal cost of performance information in budget submissions for selected performance goals. OMB has recognized DOT as a Government-wide leader in the marginal cost of performance program and asked us to present our approach to other Federal agencies at an OMB-sponsored seminar on improving marginal cost methods and practices.

For the financial performance PMA goal, we developed, pilot-tested, and implemented the first phase of a managers' DASHboard that presents financial and performance data to support business decision-making by our managers. We will be expanding and enhancing our DASHboard throughout FY 2006. For the improper payment PMA goal, DOT completed risk assessments of our largest programs, which revealed an extremely low rate of improper payments. Working with the Tennessee Department of Transportation, we conducted an innovative research project which developed a methodology that we will use to assess improper payments for additional transportation programs across the Nation. We will also include the



Hurricane Katrina response effort in our improper payments assessment program for FY 2006. For the real property PMA goal, the FAA is serving as the executive agent for the Department and is coordinating implementation of the Federal Real Property Council's performance measures.

CONCLUSION

DOT is committed to having a reliable financial management system that produces timely and accurate information for our managers. Now that DOT has been named a Center of Excellence for financial systems and services, we are working with our private sector business partners to add new customers to our Center. Our plans for further enhancing our financial and performance management programs by consolidating financial systems and operations and implementing managerial cost accounting will build on our accomplishments and continue to strengthen our accountability to Congress, the President, and the public in FY 2006 and beyond.

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