

Chief Financial Officer's Letter



A popular circus performance involves motorcyclists racing around the inside of a steel sphere. Defying gravity and with great precision, the cyclists pass within inches of each other without colliding. Each performer is an expert; yet as a group, the feat becomes possible only through careful planning and close coordination.

Improving financial performance in the Federal government involves similar efforts between the financial community and program managers as we work to make financial information an integral part of decision making. From day-to-day operations to senior management decisions, accurate and timely financial information improves the efficiency and effectiveness of our activities and enhances our accountability to the American people. We have a responsibility to accurately measure the real cost of programs and account for how well the funds entrusted to us have been spent.

Compliance with Federal financial statutes provides an important indicator of accountability. For FY 2004, the Department has received its fourth consecutive Certificate of Excellence in Accountability Reporting from the Association of Government Accountants and eighth consecutive clean audit opinion. These are strong indicators and external validation of the strength of the Department's financial management. For the fourth consecutive year, the Secretary has reported that the Department's systems of accounting and internal controls comply with the Federal Managers' Financial Integrity Act (FMFIA). The Department has no material weaknesses in internal controls as defined by the FMFIA. Similarly, DOL's financial management systems meet the requirements of Federal Financial Management Improvement Act (FFMIA).

These statutory provisions, however, provide just the foundation for good accountability. At the direction of Secretary Chao, over the past year we have instituted a new quarterly financial management attestation process that requires each agency head to acknowledge responsibility for internal controls over the funds entrusted to the agency. This certification must be accompanied by a general operations certification by the agency's administrative officer, and a detailed financial certification by the agency's financial manager. Each quarter, I meet with each agency head and senior executives to discuss the progress of the agency's efforts to resolve open audit findings and discuss ways of preventing new issues. This new process furthers our efforts toward early detection and effective resolution of internal control weaknesses and enhanced accountability. Over the past year, we have worked intensively with program agencies to implement managerial cost accounting, department-wide, through the Cost Analysis Manager (CAM) initiative. This effort improves our ability to report the full costs of programs and activities and facilitates the use of integrated financial and performance information for decision-making across the Department at all levels.

Effective use of financial information can result in more accurate benefit and assistance payments to current recipients. As part of our efforts to reduce improper payments, the Department signed a memorandum of understanding with the Social Security Administration (SSA) to improve the accuracy of payments in the Unemployment Insurance Program. The agreement facilitates the exchange of data between the SSA and State unemployment agencies to eliminate unemployment insurance payment to individuals who have returned to work. DOL has one of the most progressive efforts in the Federal government to proactively improve internal controls and eliminate systemic causes of improper payments.

To make information more readily available in a more useful form, the Department has begun a multi-year initiative to replace our aging core accounting system with a new financial management information system (Labor Accounting Works—LAW). The new system will leverage technology and best-practice business processes to improve information quality, availability, and usefulness to a broad spectrum of managers and decision makers. The Office of the Chief Financial Officer continues to co-lead the government-wide financial management line of business with the Chief Information Officer of the Department of Energy. This effort addresses redundant IT investments and business processes across the government and focuses on business-driven, common solutions developed through IT architectural processes. In efforts such as this agencies

government-wide are working together across traditional boundaries rather than focusing on their individual needs to make government more citizen-centered, results-oriented, and market-based.

The Department has actively participated in several e-Gov initiatives. Two areas involving changes to the internal financial management of the Department are e-Travel and e-Payroll. The e-Travel effort will connect the Department to a government-wide, web-based, world-class travel management service. With the selection of an e-Travel service provider this year, the Department will be able to reduce or eliminate capital investments and minimize total cost per travel transaction. The e-Payroll initiative involves the consolidation of twenty-six federal payroll providers across the government. This year the Department pursued a plan that will culminate in the migration of the Department's payroll services to the National Finance Center of the U.S. Department of Agriculture in FY 2005. In coming years, consolidation efforts such as e-Travel and e-Payroll will generate significant savings of tax dollars by reducing operating costs and avoiding costly modernization of duplicative systems.

Under the leadership of Secretary Chao and President Bush, the Department of Labor has made significant progress in improving financial management beyond receiving an unqualified audit opinion. Under the President's Management Agenda, we moved to "green" on the financial management scorecard at the end of FY 2004. We are committed to staying "green" through continued efforts to increase the integration of financial data into Departmental decision making. We are putting in place the controls and programs to improve our accountability to Congress and the American people and to provide our managers with the financial information to improve the efficiency and effectiveness of their programs. We are better prepared than ever to deliver results from a Government that is well run and results-oriented.



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Chief Financial Officer

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