The background of the cover is a monochromatic, blue-tinted image of a grand, classical building facade. It features several tall, fluted columns supporting a pedimented roof. In the foreground, a large, detailed statue of a man in a suit is visible, looking upwards. The overall aesthetic is formal and institutional.

Department of the Treasury

PERFORMANCE &
ACCOUNTABILITY
REPORT
FY 2004

TREASURY



Office of the Comptroller of the Currency
Bureau of Engraving and Printing
Financial Crimes Enforcement Network
Financial Management Service
Internal Revenue Service

United States Mint
Bureau of the Public Debt
Office of Thrift Supervision
Alcohol and Tobacco Tax and Trade Bureau

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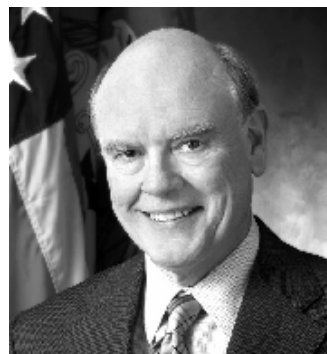
Department of the Treasury

PERFORMANCE &
ACCOUNTABILITY
REPORT
FY 2004

Message from the Secretary

November 15, 2004

On behalf of the U.S. Department of the Treasury, I am pleased to present our Fiscal Year (FY) 2004 Performance and Accountability Report. This report provides clear information on Treasury's operations, accomplishments and challenges over the past year. Treasury aids national prosperity by developing policies that stimulate economic growth and job creation as well as maintaining public trust and confidence in our economic and financial systems.



In FY 2004, Treasury focused on its core missions of economy and finance. In FY 2004, Treasury worked to implement the Jobs and Growth Tax Relief Reconciliation Act of 2003 as well as other tax relief efforts. Treasury moved forward with improvements in our core functions in the areas of domestic and international economies, banking oversight, tax law compliance, cash and debt management, and the production of coins and currency. We also continue to work on streamlining our nation's regulatory framework to ensure the integrity of the financial sector and promote the growth of financial services worldwide.

Treasury is making the nation safer by detecting, disrupting and dismantling the financial sources of terrorism. During this year we created the Office of Terrorism and Financial Intelligence (OTFI), a new office that centralizes policy-making and coordinates Treasury's efforts to eradicate terrorist funding and protect the integrity of financial systems. This office also fights financial crime, enforces economic sanctions against rogue nations, and assists in the ongoing search for Iraqi assets.

Regarding the management and reporting of finances, Treasury has again received an unqualified opinion on our financial statements. This accomplishment demonstrates the accuracy and reliability of the information presented. Treasury also met most of its performance targets for the year, and I have determined that the enclosed performance data are reliable and complete. During FY 2004, we continued our emphasis on ensuring that Treasury has strong internal controls in place to minimize the risk of waste, fraud, and erroneous payments. We also intensified our efforts to identify and reduce improper payments across Treasury and continued our progress toward addressing material management control weaknesses.

As we look ahead, Treasury will continue its work to generate economic growth, increase the number of jobs for our citizens, and keep our financial systems strong and secure. Treasury will develop and implement strategies to find and eliminate sources of funding for terrorists and to detect and pursue financial criminals. Finally, for our customers, America's taxpayers, Treasury will continue to work very hard to provide excellent service, efficiency and value.

Sincerely,

A handwritten signature in black ink that reads "John W. Snow". The signature is written in a cursive, flowing style.

John W. Snow
Secretary of the Treasury

***Message from the Acting Assistant Secretary For Management and
Acting Chief Financial Officer***

November 15, 2004

The Office of the Assistant Secretary for Management and Chief Financial Officer is proud to announce the delivery of the 2004 Treasury Department Performance and Accountability Report forty-five days after the close of the fiscal year for the third consecutive year. The Department continues to manage the government's finances and preserve the integrity of the financial and internal control systems of the Federal Government while improving the quality, usefulness and timeliness of both financial reporting and program performance information. We are equally proud to have received an unqualified audit opinion on our financial statements for the fifth consecutive year, with no new material weaknesses identified. We remain committed to reducing the number of weaknesses and expect to make significant progress in 2005. However, due to existing material weaknesses, we can provide only qualified assurance that Treasury is meeting management control objectives. For the same reason, Treasury is not in compliance with Federal financial systems standards.

These results are significant, and could not have been accomplished without the strong support of our bureaus. Sound financial management and independent oversight support the Department's role as the principal custodian of the revenue collected and debt issued on behalf of the Federal Government. Two Treasury bureaus, the Internal Revenue Service and the Alcohol and Tobacco Tax and Trade Bureau, accounted for almost 95% percent of all revenues collected by the Federal Government during FY 2004, totaling over \$2 trillion. Further, total debt managed by Treasury's Bureau of the Public Debt, including intra-governmental holdings, was more than \$7 trillion at the end of FY 2004. Payments issued by the Financial Management Service on behalf the Federal Government totaled over \$1.7 trillion in non-defense payments such as Social Security checks. The Bureau of Engraving and Printing printed 8.7 billion notes of currency while improving security features to reduce the risks of counterfeiting; and the United States Mint produced 13.5 billion U.S. coins and continues to cut the costs of coin production. Finally, Treasury's role in the financial war on terrorism and the creation of a new office to centralize and coordinate Treasury's efforts continue to make the nation safer, and help preserve the financial integrity of the United States by protecting our nation and its citizens from financial crimes.

The Department continued to aggressively implement the President's Management Agenda in all five areas (Human Capital, Competitive Sourcing, Financial Performance, Electronic Government, Budget and Performance Integration). Treasury's Competitive Sourcing initiative completed five full A-76 Reviews and one streamlined conversion covering 830 employees. Savings are expected to exceed \$20 million in FY 2005 and to exceed \$185 million over the next five years. Treasury has effectively linked results and performance to executive compensation for 2005 under the Human Capital and Budget and Performance integration initiatives, creating a transparent process which will improve performance and ensure the most efficient use of resources. Regarding electronic government, Treasury has expanded the products and services provided to citizens, specifically, the IRS increased the number of taxpayers filing on-line to more than 70 million and reached record levels of electronic refunds.

This report also emphasizes high priority management challenges across the Department, including the challenges identified by the Inspectors General and Government Accountability Office. We are committed to addressing and resolving these management challenges through continuous improvement and implementation of the President's Management Agenda.



Jesus H. Delgado-Jenkins
Acting Assistant Secretary for Management



Barry K. Hudson
Acting Chief Financial Officer

