

## A MESSAGE FROM THE CHIEF FINANCIAL OFFICER

This section of the Department of Justice's Performance and Accountability Report contains our Fiscal Year (FY) 2004 financial statements and accompanying auditor reports. While the Department met the accelerated November 15, 2004 due date for the executive branch audited financial statements, we were unable to obtain a Department-wide unqualified audit opinion as we did in prior years. This year, due to difficulties in reporting certain grant related balances, and weaknesses in grant related systems, one of our components received a disclaimed opinion, and the Department's consolidated statement was disclaimed on the same basis. A second component received a qualified opinion due to weaknesses in payables reporting.

As we anticipated when the year began, this was a year of tremendous challenge for the financial operations of the Department. On the positive side, eight of the ten components within the Department undergoing individual audits earned unqualified opinions, and I want to extend my appreciation to the many individuals whose tireless efforts made those clean opinions possible. Additionally, we met the accelerated 45-day period for completing our financial statements and audit, and several components eliminated or diminished weaknesses reported in last year's reports. However, we fell short of our goal for another clean opinion across the Department, and the number of material weaknesses in our accounting practices and systems increased rather than diminished.

The Department is committed to a full accounting for our FY 2004 statements, and work has already begun to correctly state and obtain an opinion on the disclaimed and qualified balances in our FY 2004 report. This will establish a solid base for the production of our FY 2005 statements. I am confident the Department can fairly present these balances as we have in past years when longer statement preparation time was available.

The 45-day accelerated financial reporting period was something we expected would stress our financial operations. It did, particularly in our grant reporting, but we nonetheless achieved considerable success in reengineering our operations to meet the earlier reporting dates. At the same time, the accelerated reporting dates required a higher reliance on our systems and internal controls, and the auditor reports disclosed serious weaknesses in grant accounting controls and related systems. Additionally, weaknesses in classifying obligations, property accounting, and financial reporting were noted across several components. General information technology (IT) controls and financial system controls remain a Department-wide concern, with material weaknesses existing at two components and related reportable conditions existing at several others.

Our goals for FY 2005 are clear: restoration of the Department's unqualified audit opinion, a significant reduction in material weaknesses, and overall improvement in IT controls are paramount. We will aggressively pursue the corrective actions necessary to address the weaknesses reported in our systems and accounting practices. Our long term goals are to replace the seven different accounting systems that support our financial operations and statements and install a Department-wide Unified Financial Management System with consistent, uniform financial practices across the Department. We are committed to providing timely, accurate financial and performance information to our decision makers and the public. We look forward to meeting these challenges in 2005.



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