
A MESSAGE FROM THE CHIEF FINANCIAL OFFICER

Fiscal Year (FY) 2003 marks the third straight year that the Department of Justice (DOJ) has earned an unqualified audit opinion on its consolidated financial statements. This was made possible by the tremendous dedication of our components and their financial staffs, and I want to extend my appreciation to the many individuals whose hard work earned DOJ this third clean opinion.

As we anticipated when the year began, this was a year of tremendous challenge and opportunity for us. We welcomed the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) as a new component on January 24, 2003, pursuant to Title XI of the Homeland Security Act, Public Law 107-296. That same Act also resulted in the Immigration and Naturalization Service transferring from DOJ to the Department of Homeland Security (DHS) effective February 28, 2003. While these organizational changes presented a host of financial reporting complexities, our components were able to achieve an unqualified opinion in FY 2003 while managing this important transition.

We remain acutely aware that DOJ still faces significant financial management challenges, foremost of which are the prospect of meeting the November 15, 2004 due date for the FY 2004 statements and the uneven audit-readiness of our components. Auditors reported two repeat Departmental-level reportable conditions, one of which was a material weakness, noting that several components are not fully compliant with federal accounting standards, with weakness in accurately classifying obligations and in assuring the proper reporting of revenue and expenses between federal trading partners. Auditors also reported weaknesses in financial systems and controls, noting that the current DOJ systems configuration includes outdated systems and depends on consolidation of data from seven different systems under short deadlines, making ongoing financial oversight and timely statement preparation difficult.

We are firmly committed to fulfilling the financial management improvement goals of the President's Management Agenda and the Attorney General. We are moving firmly and quickly to redesign financial record keeping and reporting practices in key components in order to improve our audit readiness, address weaknesses, and meet the November 15, 2004 due date. We remain committed to implementing uniform financial management practices across DOJ, and look forward to acquiring and beginning a phased transition to a federal compliant Unified Financial Management System in FY 2004. While mindful of the challenges we face, I am confident the Department has a bright financial future and I look forward to meeting our improvement objectives for FY 2004.



Paul R. Corts