



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



The Department of Transportation (DOT) made great strides in enhancing our budget, performance and financial management programs during Fiscal Year (FY) 2007. At DOT, the Office of the Assistant Secretary for Budget and Programs/CFO is a full partner in setting the mission and strategies for the Department and plays a key role in ensuring effective and efficient use of DOT resources to further the Nation's transportation goals. We supported a variety of DOT strategic initiatives and programs through innovative financing arrangements, including selecting five new Urban Partnership Agreements using previously earmarked discretionary funds, providing strong support for the Congestion Management and Corridors for the Future programs, developing innovative approaches for incorporating private sector investment into the

public transportation infrastructure, and making major advances towards the Federal Aviation Administration's Next Generation program for a new Air Traffic Control system.

From an organizational perspective, we continued to elevate CFO positions in the Operating Administrations (OAs) and initiated a major long-term strategic planning effort for our systems and services. We also conducted another successful annual CFO Workshop for our budget, performance and finance staff. In addition, during 2007 DOT moved 5,500 employees on schedule and under budget into our new "green" headquarters building, which is helping revitalize the Anacostia River waterfront area of Southeast Washington, D.C.

DOT'S PAR RATED #1 IN ALL THREE CATEGORIES

DOT is very proud that our FY 2006 Performance and Accountability Report (PAR) was rated #1 by the prestigious Mercatus Center of George Mason University in all three major categories: Overall Excellence, Leadership and Transparency. We were especially pleased that Mercatus described our PAR as "easy to read" – no small accomplishment for this kind of a report.

PERFORMANCE IMPROVEMENT INITIATIVE

DOT continues to be recognized for our leadership in OMB's performance improvement initiative (formerly called Budget-Performance Integration). We've been rated "green" for the last 14 quarters and received the 2006 President's Quality Award for our outstanding Budget-Performance Integration program.

EXCELLENCE IN FINANCIAL MANAGEMENT

DOT is proud to receive a clean audit opinion this year. We have received clean financial audit opinions for six of the last seven years. Each year, we develop, implement and track detailed correction action plans to ensure we resolve all audit findings as we continue to improve our financial management business processes, internal controls and financial systems.

DOT is the only cabinet level agency to finish converting all of its component agencies to a state-of-the-art financial system that uses non-customized commercial-off-the-shelf software running on a cost-effective single production instance. Our financial system, which we call Delphi, currently has 4,000 users.

DOT continued to upgrade and enhance our financial systems this year. In May, we successfully upgraded the software for our Delphi core accounting system, which produces financial statements overnight at month- and year-end and anytime on demand. This year we also upgraded the server hardware and technology for our CASTLE Time and Attendance / Labor Distribution system, which improved system performance by 65 percent. In addition, we developed a new solution that uses Service Oriented Architecture technology to integrate our procurement management system with our Delphi financial system; implementation begins in FY 2008.

To enhance data quality, we established 14 reconciliations that are conducted monthly by our OAs. We also developed a website to share their results and our continued progress on the Office of Management and Budget's financial performance measures with all DOT organizations. To facilitate the efficient management of interagency agreements, this year we developed and implemented a Common Reimbursable Agreement Number that automates the elimination of reimbursable agreements from our consolidated financial statements.

FEDERAL SHARED SERVICE PROVIDER

DOT continues to operate as one of four government-wide Centers of Excellence for financial management. As a Federal Shared Service Provider, we offer financial systems and accounting services to other agencies and give them the benefits of best industry practices and significant economies of scale. Customers get the advantages of DOT's experience and capital investment at low cost and low risk. DOT's Center, called the Enterprise Services Center (ESC), is located at the Mike Monroney Aeronautical Center in Oklahoma City.

In a 2006 competitive process, the Government Accountability Office (GAO) selected DOT's Delphi financial system for their own use. We see GAO's selection of DOT's Delphi system as a real feather in our cap. After a year of planning, set-up and configuration, data conversion, and a unique parallel testing process, in October 2007 GAO went live on DOT's Delphi financial system with the PRISM procurement system integrated with Delphi. DOT's other external customers include the National Endowment for the Arts, the Commodity Futures Trading Commission, and the Institute for Museum and Library Services.



PERFORMANCE AND ACCOUNTABILITY REPORT - FY 2007

Three of our external customers have also contracted with DOT's ESC to provide them with our high quality accounting services, including accounts receivable, accounts payable, supplier table maintenance, monthly closing and reconciliation, and financial reporting. DOT continues to market our outstanding financial system and accounting services to other Federal agencies in support of the Financial Management Line of Business of the President's Management Agenda.

CONSOLIDATING ACCOUNTING OPERATIONS

DOT has consolidated accounting operations at the ESC for all OAs. During FY 2007, we moved accounting operations for the last two OAs (the Federal Transit Administration and the Maritime Administration) to the ESC. Consolidating accounting services provides significant economies of scale and supports further streamlining and standardizing of our processes and implementing best practices throughout DOT.

INTERNAL CONTROL PROGRAM

During FY 2007, DOT implemented the second year of our 2-year Internal Control program to meet the updated requirements of OMB Circular A-123, Management's Responsibility for Internal Control. This year we reviewed, documented, assessed risk and extensively tested the second group of our key business processes (the first group was tested last year). As with all findings from our financial audits, we have developed and are implementing corrective action plans to resolve all Internal Control findings, too. Our auditors have determined that our Internal Control program was in compliance with OMB requirements.

DOT has established an Internal Control Senior Assessment Team to guide this program. To avoid duplication of effort, we have integrated our Internal Control program with our CFO audits, our Federal Managers Financial Integrity Act program, and our innovative Improper Payments Information Act (IPIA) program. This year our IPIA program sampled 1,500 highway projects across the country to develop a nationwide improper payment rate. We also developed improper payment rates for key transit and aviation programs. Together these efforts upgraded our progress score on the President's Management Agenda goal for Improper Payments.

DOT is currently planning our follow-on A-123 program to review, test and enhance our Internal Controls over the next 3 years.

E-TRAVEL PROGRAM

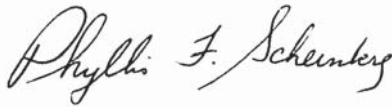
DOT continues to be #1 in the Federal government in e-Travel, with more transactions flowing through a new e-travel system than any other cabinet department. All DOT organizations have implemented our new e-travel system. We have developed and implemented a sophisticated automated interface from the e-travel system to our Delphi financial system that includes real-time funds checking. At the same time, DOT remained vigilant and successfully kept our travel card delinquency rate well below one percent.

MANAGERIAL COST ACCOUNTING

DOT was recognized this year by the GAO as a government leader in cost accounting, which helps program managers analyze and manage their program's costs accurately and timely. The FAA has completed implementing its Cost Accounting System (CAS) for all its sub-organizations and has implemented labor distribution reporting for all 45,000 employees. The Federal Highway Administration has developed a new cost accounting capability for its Federal Lands Highway Program, and the Federal Transit Administration is using Labor Distribution Reporting to assign salary and benefit costs to its programs. The Volpe National Transportation Systems Center and the DOT Working Capital Fund also use robust cost accounting systems. DOT's web-based CASTLE Time and Attendance/Labor Distribution System automatically interfaces labor costs to our Delphi financial system to support cost accounting. Our financial management strategic planning / business transformation initiative will guide our continuing efforts to integrate program and accounting data and to expand cost accounting throughout DOT.

CONCLUSION

FY 2007 has been another productive year in our efforts to enhance and integrate our budget, performance and financial management programs. Looking back, we see that DOT is far ahead of where we were only a few short years ago. Building on our accomplishments, we will continue to develop and implement CFO initiatives so that we can better demonstrate the financial and program results the American people expect and deserve and fully support the Department's strategic goals to create a safer and more efficient transportation system for the Nation.



Phyllis F. Scheinberg

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