



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



As I end my career with the Federal Government, I am very pleased to note that the Department of Transportation (DOT) continues to be a leader in budget, performance and financial management. In Fiscal Year (FY) 2008 we made further progress in implementing our mission and strategies and in making effective and efficient use of DOT resources to achieve the Nation's transportation goals.

As the organizational leader for the Department's financial management, we have worked to hire well-qualified, talented financial managers throughout the Department to ensure success in overseeing the Department's finances. In March I convened the Department's financial management community to once again discuss and prepare for the challenges for the upcoming year. In light of the ever-increasing, externally-driven reporting requirements that impact the financial

management community, we have emphasized the importance of training and open communication throughout the Department.

Over the past year, the Office of the Assistant Secretary for Budget and Programs and Chief Financial Officer played a key role in the development of new strategies for overseeing the Federal Highway Trust Fund and successfully managed the recent cash shortfall. We have taken a proactive approach to the issue and established a multimodal working group to prepare for the possible reoccurrence of a shortfall. We are coordinating with the Office of Management and Budget (OMB) and the Department of the Treasury and fine tuning indicators to help us determine when to implement new cash management procedures.

We continue to reinforce the Federal Aviation Administration's efforts to fund and implement the NextGen initiative to increase the capacity of the National Airspace System while maintaining the same level of safety and limiting environmental impacts. We have been supportive of the record-level transit-related dollars by ensuring that Federal dollars are appropriately leveraged along with State and local resources.

### EXCELLENCE IN FINANCIAL MANAGEMENT

DOT's emphasis on improved financial management has resulted in an unqualified audit opinion this year with no material weaknesses, our seventh clean audit in the last eight years. Each year, we develop, implement and track detailed corrective action plans to ensure we resolve all audit findings, as we continue to improve our financial management business process, internal controls and financial systems.

DOT's effective financial management is highlighted by the fact that the Government Accountability Office (GAO) did not issue any major reports this year addressing DOT Financial Management and Systems. A major carryover issue from last year's audit (FAA Construction In Progress) has been aggressively addressed and the issue was reduced from a material weakness to a significant deficiency.



## **DOT'S PAR RATED #1 IN ALL THREE CATEGORIES**

DOT is honored that our FY 2007 Performance and Accountability Report (PAR) was rated #1 for the second year in a row by the prestigious Mercatus Center at 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 and Performance Integration). We've been rated green for the last 18 quarters for our accomplishments in both the progress and status categories.

## **BUDGET FORMULATION AND EXECUTION LINE OF BUSINESS**

The Budget Formulation and Execution Line of Business (BFELoB) is an Electronic Government initiative to “identify opportunities for common solutions and automated tools to enhance agency budget, performance and financial information; and promote integration and standardize information exchange between budget formulation, execution, financial management and performance measurement systems, and activities across Government.” As part of its BFELoB initiative, in August 2008, DOT signed a Memorandum of Understanding (MOU) with the Department of the Treasury to implement the Budget Formulation and Execution Manager (BFEM) at DOT. The initial implementation will cover three Operating Administrations: FAA, FHWA and FRA. BFEM, which was released in April 2007, is a web-based application that allows government agencies to formulate budget justifications for OMB and Congress, including the Budget In Brief. BFEM maintains historic data and will allow DOT to reduce its reliance on desktop applications to produce budget documents.

## **FINANCIAL MANAGEMENT BUSINESS TRANSFORMATION INITIATIVE (FMBT)**

During FY 2007, my office, in partnership with the Enterprise Services Center (ESC) and the Departmental financial community, embarked on an initiative to standardize DOT business processes, develop and define requirements for an upcoming upgrade of our core financial management system, Delphi, to Oracle Federal Financials version 12i. We have also established a strategic plan to standardize the DOT financial management business model in accordance with OMB's Lines of Business Initiatives. In early 2008, the DOT financial management community established a governance structure by which this initiative would be managed. We chartered five transformation workgroups and established a Business Transformation Team (BTT) responsible for managing and coordinating the daily progress of the transformation initiatives. The FMBT has adopted the seven-phased Oracle applications implementation method as our guiding approach to this initiative. To date, the FMBT has accomplished a significant portion of Phase 1: Definition and Planning and has begun to execute Phase 2: Operational Analysis, including defining the business requirements for the new system.

## **IMPROVING FINANCIAL AND ACCOUNTING PROCESSES AND OPERATIONS**

During FY 2008, we finalized the transition of all of DOT's accounting operations to our shared service provider, the Enterprise Services Center (ESC) in Oklahoma City. The full consolidation of accounting activities at the ESC improves communication, reduces redundant processes, gains efficiencies, and enhances internal controls through consistent application and monitoring of accounting standards and financial policies. Additionally, centralized accounting operations allows better management of resources during periods of increased



accounting activity and simplifies training for financial system updates and other accounting process changes. This change has also simplified our preparation for broader changes coming with our business transformation effort.

## **MEASURING IMPROVEMENTS IN FINANCIAL PROCESSES**

Beginning in FY 2007, the DOT Office of Financial Management (OFM) rolled out a new department-wide initiative designed to help the Operating Administrations (OAs) recognize and reconcile longstanding data issues in their financial systems. OFM identified fourteen areas for attention and set goals for improvement. This initiative, called the FAB 14 has raised OA awareness and accountability to correct inaccurate and incomplete data by establishing performance metrics in these vulnerable areas. In FY 2008, DOT achieved improved performance on a number of these metrics such as increasing the use of electronic payments over paper checks, reducing budgetary to proprietary reconciling items, and eliminating the use of suspense accounts. One notable case of improvement has been with the Treasury Report on Receivables. Two Operating Administrations reduced their total debt eligible for referral to Treasury from over \$1 million to zero in the third quarter of this fiscal year. The result is a major cleanup of pending actions that have been on hold for some time.

## **SYSTEMS MANAGEMENT FOR DELPHI FY 2009**

DOT continues to upgrade and enhance Delphi. We successfully scheduled and accomplished six system updates, bundling technical and hardware improvements to enhance our system security, streamline business processes, and tighten our financial management internal controls.

Working together, all components of DOT's financial community have initiated a Systems Management Improvement Effort. One large component of this effort was completed in FY 2008 on the enhancement and standardization of DOT's Core Financial Management Program's (Delphi) System Change Request (SCR) and Release Management processes. These process improvements focused on analyzing and ranking SCRs, streamlining the creation and iterative development process, and improving both historical and predictive tracking abilities for the requests.

## **INTERNAL CONTROL AND FEDERAL MANAGERS FINANCIAL INTEGRITY ACT (FMFIA)**

Over the last year, DOT instituted a three-year evaluation cycle to ensure that all key internal controls are tested regularly, in accordance with OMB Circular A-123, Appendix A, Management's Responsibility for Internal Control requirements. As part of the three-year cycle, DOT divided its key business processes into three focus area process groups to be assessed in different years. DOT also developed a risk and materiality evaluation to identify material and/or high-risk key controls that must be tested more frequently than every three years. For FY 2008, DOT assessed the Cash Management, Credit Card Management, Procure-to-Pay, and Travel Management focus area processes for all OAs, as well as material and high-risk key controls for our material OAs.

Based on our development and implementation of corrective action plans to resolve internal control findings, DOT's Office of Inspector General has determined that our Internal Control program is in compliance with OMB requirements. In addition, DOT has enhanced its internal control program by broadening the traditional FMFIA compliance efforts to address internal controls for programs and operations. This year we



have integrated the analysis and assessment of processes across A-123 and FMFIA to better support the annual assurances required of the agency. The result has been a reduction in potentially duplicative review activities and a strengthening of the analytical basis for assurances issued by DOT executives.

### **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 through the ESC, we offer financial systems and accounting services to other agencies and provide both the benefit of best industry practices and significant economies of scale. In competitive processes during 2008, the National Credit Union Administration and the Consumer Product Safety Commission selected DOT's Delphi financial system for their own use. DOT's other external customers include the U.S. Government Accountability Office, the National Endowment for the Arts, the Commodity Futures Trading Commission, and the Institute for Museum and Library Services. Three of our external customers have also contracted with DOT's ESC to provide high-quality accounting services and we continue 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.

### **CONCLUSION**

FY 2008 has been another productive year for DOT's financial community. We have continued our efforts to enhance and integrate our budget, performance and financial management programs. Looking back, I 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 to better demonstrate the financial and program results the American people expect and deserve. We fully support the Department's strategic goals to create a safer and more efficient transportation system for the Nation.

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