

APPENDIX D

FY 2006 Financial Management Status Report and Five-Year Plan Summary

I. Background

The 2006 Financial Management Status Report and Five-Year Plan, required by the Chief Financial Officers (CFO) Act of 1990, describes the Department's financial management initiatives, plans, and accomplishments. The CFO Act established the legal framework for improved financial management. Within that framework, executive agencies have key responsibilities for implementing effective financial management leadership, internal controls, reporting, and financial systems. The Department's Plan was prepared in accordance with the guidance contained in the OMB Circular A-11, *Preparation and Submission of Budget Estimates*.

The President's Management Agenda and the accompanying Executive Branch Management Scorecard emphasize the significance of federal Government performance and accountability to achieve successful results. The ultimate goal is to acquire accurate and timely financial information on a recurring basis and improve performance and overall effectiveness. The 2006 Financial Management Status Report and Five-Year Plan includes a summary of the important financial management initiatives completed or underway within the Department. These initiatives support the President's Management Agenda and improve management and administration of the Department's programs while supporting mandates such as the CFO Act, the Government Management Reform Act (GMRA), the Federal Financial Management Improvement Act (FFMIA), the Government Performance and Results Act (GPRA), Federal Managers' Financial Integrity Act (FMFIA), and the Debt Collection Improvement Act (DCIA) of 1996.

The Department has moved towards budget and performance integration by including full cost of achieving performance goals within its budget and by utilizing the Program Assessment Rating Tool (PART) for decision making purposes for the majority of its programs. Additionally, the Department has efficiency measures in place for 100 percent of the programs assessed by the PART.

II. Highlights of the Initiatives Contained in this Plan

Audited Financial Statements. The Department earned its first unqualified opinion on all of its consolidated audited financial statements in FY 2001 and continues to demonstrate its commitment to earning unqualified audit opinions. In FY 2006, the Department continued to emphasize the importance in meeting year-end requirements, key dates for the FY 2006 audit, and critical deadlines for submission of financial data to the Department of the Treasury. Planning and coordination was necessary to ensure deadlines were met. One example of this preparation was through the issuance of the annual Financial Statements Requirements and Preparation Guide to bureaus, which includes a detailed timeline of major events and interim milestones.

Financial Management Systems Development. The Unified Financial Management System (UFMS) initiative is the keystone to the Department's financial systems improvement planning. During FY 2004, the Department selected CGI-Federal (formerly CGI-AMS) as the commercial "off-the-shelf" (COTS) Financial Management System (FMS) product. The FMS is certified by the Financial Systems Integration Office (FSIO) as meeting the core federal financial management system requirements. The Integration and Implementation Notice to Proceed was awarded on January 26, 2006. Additionally, Team IBM Initial Findings and Recommendations were completed in March 2006, and the Foundation Build v1.0 Findings and Recommendations were completed in April 2006. Both the Implementation Strategy Brief and Plan were completed in May 2006. During the fourth quarter, planning task orders were awarded to two Bureaus.

The seven DOJ components scheduled for implementation include: Assets Forfeiture Program (AFP) (organized within the Offices, Boards and Divisions (OBDs)) and Drug Enforcement Administration (DEA), which began their implementation activities in FY 2006; Federal Bureau of Investigation (FBI), which is

scheduled to begin implementation activities in FY 2007; the Alcohol, Tobacco, Firearms and Explosives (ATF), U.S. Marshals Service (USMS), the Office of Justice Programs (OJP), the Bureau of Prisons (BOP), and the Offices, Boards and Divisions (OBDs), will follow.

E-Gov Travel. During FY 2005, the Deputy Assistant Attorney General, Controller approved the implementation of a Department E-Gov Travel Program Management Office (TPMO) in the Finance Staff. In response to the President's Management Agenda, the E-Gov Travel initiative was launched and Electronic Data Systems (EDS) was selected as the E-Gov Travel vendor. During the first quarter of FY 2006, the vendor discontinued work and the E-Gov TPMO continued to work on the re-procurement of the E-Gov Travel Service task order. Currently, proposals are under review by the Technical Evaluation Panel. The procurement is expected to be completed in the second quarter of FY 2007.

Financial Statements Remediation Plan. The Department earned an unqualified opinion on its consolidated financial statements in FY 2006. All ten of the Department's reporting entities that produce financial statements received unqualified opinions, as well. Notably during FY 2006, two components had no material weaknesses or reportable conditions of any kind, and six of our ten components had no material control weaknesses reported by the auditors. The Department continued to implement corrective actions in an effort to diminish the number of internal control weaknesses at the component level. In FY 2006, components aggressively demonstrated their dedication to implement corrective action milestones in a timely manner, by reducing the material weakness to a reportable condition involving financial reporting in the Department's consolidated audit.

The accounting and system weaknesses evidenced in the audit reports this year underscore the challenges the Department is facing as we operate seven different accounting systems supporting ten reporting entities. During FY 2006, DOJ has made substantial progress on its multi-year project to install a Unified Financial Management System that will provide a single source for timely and reliable financial data. The implementation of the system will enable the Department to strengthen its control environment and to facilitate better decision-making. The accounting standards and financial reporting compliance weaknesses will be remediated by strict adherence to the OMB Circular A-123 *Management's Responsibility for Internal Control* and existing policies to strengthen and maintain effective internal controls.

Debt Collection Management Program. The JMD performed its annual comprehensive Departmentwide debt management review in compliance with OMB's reporting requirements. The Department reported cash collections over \$3.6 billion in FY 2005 resulting from civil and criminal litigation and enforcement activities. The upgrade to the Collection Litigation Automated Support System was deployed in late FY 2005. On May 3, 2006, JMD awarded the Consolidated Debt Collection System (CDCS) contract to Accenture, LLP. The CDCS is an automated system used to track and manage debt collection and financial litigation efforts. This system will enable DOJ to provide a centralized data source for debt referral, litigation, collection, and statistical and financial reporting.

Modernizing Payments and Business Methods. The Department made significant progress in improving payment processing. The Department's components continued to increase Electronic Funds Transfer (EFT) payments to grantees, vendors, and employees. The Direct Deposit/Electronic Fund Transfer rate for permanent full-time employees was 99.70 percent as of July 2006. The Department's components continue to re-engineer systems operations and business practices to meet the challenge of making nearly all payments by EFT, as required by the DCIA. The Department continues to achieve a low delinquency rate for employee individually billed account travel card payments. Currently, DOJ has a .33 percent delinquency rate compared to 2.88 percent government-wide average. The Department has achieved a zero percent delinquency rate for purchase cards. In addition, DOJ continues to expand its recovery audit programs. The OBDs, BOP, OJP, Federal Prison Industries, and USMS are currently using the services of an audit recovery-contracting firm. To date, approximately \$3.5 million in erroneous payments have been recovered.