

## APPENDIX C

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### FY 2009 Financial Management Status Report

This financial management status report describes the Department's three most significant and overarching financial management initiatives – achieving a clean audit opinion, implementing a new Department-wide financial management system, and continually improving internal controls. The President's emphasis on transparency emphasizes the significance of federal government performance and accountability to achieve successful results. The ultimate goal is accurate and timely financial information on a recurring basis. These initiatives support the Department's overall goal to improve management and administration of the Department's programs while also 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.

#### **Reliable Financial Statements and Meeting Due Dates for Financial Statements.**

KPMG LLP, an independent public accounting firm under contract with the Department's Office of the Inspector General, performed the Fiscal Year (FY) 2009 consolidated Department audit. The Department earned an unqualified opinion on its audited consolidated financial statements for FY 2009. All nine of the Department's components that produce financial statements received unqualified opinions, as well. The Department and components continued to demonstrate progress in remediating weaknesses identified by the independent auditors. The Department has consistently met the OMB due date for submission of the consolidated financial statements. Ensuring these deadlines are met required planning and coordination which included issuance of the annual Financial Statement Requirements and Preparation Guide (Guide). The Guide includes a detailed timeline of major events and interim milestones. This, along with components' corrective actions quarterly status updates, adds to the foundation necessary to eliminate auditor-reported internal control material weaknesses. For FY 2010 and beyond, the Department expects to maintain its consistent status on its audited consolidated financial statements.

**Integrated Financial Management System.** The Unified Financial Management System (UFMS) initiative is the keystone to the Department's financial systems improvement planning for the future. UFMS is replacing the Department's multiple core financial management and procurement systems with an integrated Commercial Off-The-Shelf (COTS) solution, Momentum, provided by CGI Federal Inc. Implementation of the UFMS will improve financial management and procurement operations through streamlining and standardizing business processes and procedures across all components.

The Department components identified for replacement of their current financial management and procurement systems include: Federal Bureau of Investigation (FBI); U.S. Marshals Service (USMS); Drug Enforcement Administration (DEA); Federal

Bureau of Prisons (BOP); Office of Justice Programs (OJP); Offices, Boards and Divisions (OBDs); and Alcohol, Tobacco, Firearms and Explosives (ATF).

The most significant accomplishment of FY 2009 occurred in January, when the DEA financial, accounting and acquisition functions went live with UFMS. DEA joined the Asset Forfeiture Program as the second organization to adopt the Department's system. This was a major milestone for the Department, as DEA was the first large law enforcement organization to deploy UFMS as the system of record. Today, approximately 2,000 users rely on the 28 standard business processes and 12 interfaces configured in UFMS 1.1. Other significant strides were made in FY 2009 to bring users onto the system and prepare the next components for implementation. In March 2009, the UFMS Contract Writing Tool was deployed to the FBI. This will better prepare FBI for migration to UFMS Acquisitions. In May 2009, Phase 1 of the UFMS implementation was completed for the ATF, which entailed the technical upgrade of Momentum. Phase 1 migrated ATF's legacy financial system, Financial Resources Desktop System (FRd), to Momentum 6.1.5 (the same version as DEA UFMS). Concurrently, ATF adapted its business processes to the majority of UFMS standard processes. The Phase 1 upgrade primes ATF for transition to full UFMS functionality. In July 2009, UFMS Acquisitions was deployed to over 300 BOP users nationwide. The UFMS team is effectively managing production services for the newly implemented customers. Customer service continues to be a priority and performance against the objectives will continue to be measured and evaluated as new customers are implemented.

Several implementation efforts are underway in FY 2010. These include the upgrade of UFMS to version 2.0. This upgrade will incorporate more than 100 types of enhancements, the most significant of which include improvements in reporting, interfaces, and system administration. In addition, the USMS is scheduled to implement Phase I, UFMS Acquisitions, in its Headquarters procurement offices as the first part of the ultimate vision of operating in a shared instance, and to better prepare USMS for full deployment of UFMS. USMS Acquisitions will share an instance in UFMS with BOP. Sharing instances in UFMS will result in significant cost savings across the Department by consolidating system administration functions and eliminating duplicative processes. In 2010, USMS planning will also commence, including requirements gathering and gap analysis for full implementation of UFMS. Also in FY 2010, requirements will be finalized for ATF's implementation of UFMS to "go live" in the first quarter of FY 2011. Finally, the FBI will initiate Phase 2 gap analysis and requirements. Phase 2 includes defining requirements, reengineering business processes, configuring, testing, developing training materials and implementing the Criminal Justice Information System (CJIS) and a few other small organizations.

**Federal Financial Management Improvement Act (FFMIA) Remediation Plan and A-123 Compliance.** During FY 2009, the Department continued efforts to resolve internal control weaknesses in critical areas by providing oversight and resources to individual components. Through ongoing review programs, components aggressively demonstrated their commitment to identify areas of concern and implement corrective

actions promptly. The Department also continued to demonstrate progress on its multi-year project to implement an integrated financial management system. This system will eventually provide a single source for timely and reliable financial data, and strengthen the Department's overall control environment. The system will also facilitate the collection of information, increase transparency, and enhance decision-making by program managers.

The Department continued its commitment to improving and strengthening controls through the annual OMB Circular A-123 assessment. Using a top-down risk-based approach, efforts were focused on significant areas where the risk of material errors in financial reporting could occur. An increased effort was also made to coordinate and leverage existing reviews and assessments of the controls over significant financial information systems. These actions, coupled with the Department's corrective action plan process, have enabled the Department to monitor the components' progress against corrective action plans more timely and, when necessary, provide additional resources to correct control weaknesses.