



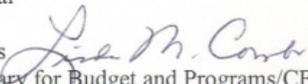
**U.S. Department of  
Transportation**  
Office of the Secretary  
of Transportation

Assistant Secretary  
for Budget and Programs  
and Chief Financial Officer

400 Seventh St., S.W.  
Washington, D.C. 20590

NOV 10 2004

MEMORANDUM TO: Kenneth M. Mead  
Inspector General

FROM: Linda M. Combs   
Assistant Secretary for Budget and Programs/CFO

SUBJECT: Management Response – Report of the Inspector  
General (IG) on the Consolidated Financial  
Statements for Fiscal Years (FY) 2004 and 2003

The Department is pleased to respond to your audit report on the Consolidated Financial Statements for FY 2004 and 2003. For the fourth consecutive year we have achieved an unqualified audit on the Consolidated Financial Statements.

We concur with the four material weaknesses and four reportable conditions contained in the report. Corrective actions have already been initiated to address these items. The Department will submit a detailed Action Plan to your Office by December 15 to address the findings contained in the report. Our Action Plan will also address the findings contained in the Audit of the Highway Trust Fund and the Audit of the Federal Aviation Administration. We generally agree with the recommendations listed in these reports and will utilize them to develop corrective action measures.

The achievement of an unqualified audit opinion was accomplished through the joint efforts of your staff, contract auditors and the financial staffs of the Operating Administrations. In several cases extraordinary efforts were required to compensate for financial management weaknesses. We will work with our Operating Administrations, and the various audit groups to ensure that the steps we are taking will result in measurable improvements in Financial Management throughout the Department.

I would like to express my appreciation for the cooperation and professionalism displayed by your staff and your contractors during the course of the audit.