

MESSAGE FROM THE SECRETARY



I am pleased to present the Fiscal Year (FY) 2004 *Performance and Accountability Report* for the Department of Transportation (DOT). In FY 2004, DOT's top priorities were keeping the traveling public safe and secure, ensuring a dependable and efficient transportation system, and enabling economic growth in the Nation.

The Department's performance goals shape our priorities so we can make efficient and effective program management and resource allocation decisions. We have established clear lines of financial accountability for meeting our performance goals. I am very proud that for four years in a row, FY 2001 to FY 2004, DOT has earned a clean opinion on our financial statements, demonstrating proper stewardship and accountability.

The Department is also committed to implementing the President's Management Agenda (PMA). The Office of Management and Budget rated DOT "green" for four of the five PMA goals.

The FY 2004 *Performance and Accountability Report* contains performance and financial data that are substantially complete and reliable. The Compliance with Legal and Regulatory Requirements section in the Executive Summary of this report contains a detailed assessment of the limits to DOT's performance data and explains how we will remedy those limitations in the future.

We are working hard to eliminate material weaknesses in our financial processes and systems to meet the requirements of the Federal Managers' Financial Integrity Act. In November 2003, DOT became the first Cabinet-level agency to finish installing a new, state-of-the-art, commercial off-the-shelf financial management system. All of the DOT Operating Administrations have provided statements of assurances in compliance with the Federal Government's standards for financial management and financial systems.

All of us at the Department are proud that DOT's FY 2003 *Performance and Accountability Report* was rated as the best in government according to the Mercatus Center of George Mason University and has consistently been ranked as one of the best for the past four years.

I look forward to continuing to work with the President and the Congress to achieve a safer and more efficient transportation system for our Nation.

A handwritten signature in black ink, which appears to read "Norman Y. Mineta". The signature is stylized and fluid.

Norman Y. Mineta
November 2004

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



This report illustrates the Department's recent achievements in financial and performance management. The Department of Transportation (DOT) strongly supports the President's Management Agenda goals to improve financial management and to integrate budget and performance information. I am very pleased to report that the Department has received an unqualified audit opinion on its financial statements for FY 2004 and has eliminated two material weaknesses from FY 2003.

The FY 2004 audit identified material weaknesses in: financial management and reporting for Highway Trust Fund agencies, financial oversight of highway and transit grants, reconciling transactions within DOT and other Federal agencies, and financial system security controls. We are committed to correct these issues quickly.

In FY 2004, DOT's financial management focus was on upgrading our accounting system and achieving a "clean" audit opinion on our financial statements. The Department has accomplished numerous improvements in our financial management:

- Issued comprehensive DOT financial management policies.
- Reduced DOT's travel credit card delinquency rate from 13 percent to one percent.
- Developed a new Financial Statement Solution (FSS) that produces financial statements from the core financial system within 24 hours after the year-end close.
- Improved the management of reimbursable agreements and intragovernmental eliminations.
- Worked to replace DOT's payroll and human resource systems under the E-payroll initiative.

Consistent with President Bush's commitment to results-oriented government, we have made substantial progress in linking expenditures to program performance in DOT's strategic areas. Several of the Operating Administrations are using new automated tools to present key financial information and performance metrics to DOT managers for day-to-day decision-making.

We are committed to achieving the high standards in the President's Management Agenda. We will continue to provide the Nation with a safe and efficient transportation system and ensure the highest level of integrity in our financial management.

Linda M. Combs
November 2004