

Statement of the Under Secretary of Defense (Comptroller)

With the Biennial Financial Management Improvement Plan (Biennial Plan), the Department of Defense has developed, for the first time, a strategic financial improvement plan that includes the Department's financial management concept of operations and addresses both its financial systems and program feeder systems that originate and provide the majority of the financial source data.

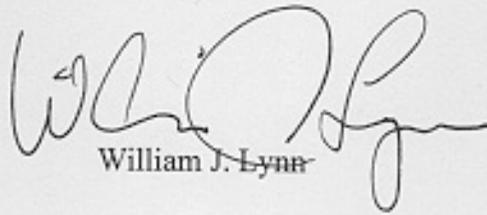
The model we chose for the concept of operations is one that is adaptable to a changing environment and provides the breadth and depth needed to guide the Department in improving its financial management operations. The Department's model addresses those requirements that must be met in order to achieve effective financial management; identifies the roles and responsibilities that financial managers, operational commanders, and program managers must have in financial management; and describes the supporting infrastructure that is needed.

The Biennial Plan presents a model that serves the Department in two very important aspects. First, it provides the guidance needed to ensure organizations conform to the requirements necessary to achieve compliant, auditable financial data, while allowing them the flexibility to implement processes and systems essential for their individual operations. Second, it provides a framework with the flexibility to adapt to new federal accounting standards and the ability to take advantage of changing technology.

The Department recognizes that improving its financial business practices is a significant challenge. This Biennial Plan takes a major step toward meeting the challenge. For the first time, the Department has established the scope of the initiatives being undertaken to improve its financial operations. The Biennial Plan not only identifies the initiatives that we are implementing to improve our financial systems and processes, but also those initiatives that the Military Departments and the Defense Agencies are implementing to improve the financial data provided by their feeder systems. Our long-term strategy focuses on reengineering or replacing feeder systems with systems that are compliant with the new federal accounting standards and that will interface well with the Department's financial systems. The challenge for the next Biennial Plan will be to link more closely, financial and feeder system improvement initiatives so that corrective actions can be better integrated and coordinated among the various organizations.

The Department clearly understands the importance of effective internal controls in all facets of its business practices. Effective internal controls in financial systems, organizational structures, and business practices are embedded throughout the Biennial Plan. Proposed changes will strengthen the Department's internal controls, as will a very aggressive program to train military and civilian members at all levels in the Department, in the areas of financial management controls.

With the Biennial Plan, the Department has established, in a single plan, how it will manage its future financial management operations to meet the Department's information needs at all levels and produce auditable financial statements.



William J. Lynn