

Statement of the Under Secretary of Defense (Comptroller)

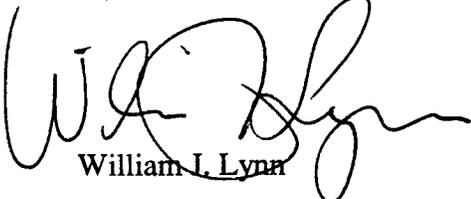
The Department continues to build upon the strategies developed in the 1998 Biennial Financial Management Improvement Plan for achieving a financial structure that will allow the Department to manage its financial operations more effectively in the future.

The focus of the first plan was to establish, for the first time, a concept of operations describing how the Department would manage its future financial management operations to better meet the Department's financial information needs at all levels.

The 1999 plan provides additional focus and information on the Department's critical feeder systems--systems that provide the majority of the Department's financial transaction data. The 1999 plan also encompasses interim strategies that the Department is pursuing to overcome systems limitations that have precluded the Department's major accounts from achieving more favorable audit opinions on their financial statements.

Because of important role that critical feeder systems play in financial management operations, the Department has taken two important actions. First, the 1999 plan refines the Department's financial management concept of operations and includes critical feeder systems as an essential element of the Department's integrated financial management system target architecture. Second, the Department has tasked the Military Departments and Defense Agencies to evaluate the compliance status of each of their critical feeder systems with federal financial management requirements and to develop action plans to correct any material deficiencies. This evaluation includes an assessment of the internal controls associated with each critical feeder system. Additionally, the 1999 plan outlines how the Department intends to monitor the actions needed to achieve critical feeder system compliance. That effort will follow a process similar to that used by the Department to monitor and report on "Y2K" system compliance.

The 1999 plan also describes strategies developed by the Department, in conjunction with the Office of Management and Budget, the General Accounting Office, and the Inspector General, Department of Defense, to overcome system limitations in major accounts. These strategies are expected to allow the Department to produce auditable financial statements and set the stage for achieving an enhanced financial structure that will better allow the Department to manage its financial operations more effectively.



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