

# A Letter from the Acting Chief Financial Officer

*I am pleased to report that the Department of Veterans Affairs continued its tradition of financial excellence in FY 2004. For the sixth straight year, VA received an unqualified audit opinion on its financial statements from the external auditors, Deloitte & Touche.*



We continue to strengthen our fiscal management and accountability by enhancing internal controls, complying with financial management laws and regulations, and taking timely corrective actions on the auditors' recommendations concerning reportable conditions, material weaknesses, and non-conformances.

In FY 2004, we continued our efforts to assess and correct the two outstanding audit material weaknesses reported by Deloitte & Touche — *Information Technology Security Controls* and *Lack of Integrated Financial Management System*. We have implemented an information technology security training and awareness program and established a VA centralized clearinghouse for computer-related security incidents, as well as made substantial progress in completing corrective actions within our application systems. In FY 2004, the Department deployed the CoreFLS pilot program at the Bay Pines VA Medical Center and two additional pilot sites. This pilot program was designed to test a new computerized financial management and logistics system and to demonstrate the ability of commercial off-the-shelf finance/logistics software to operate effectively in a complex VA environment. However, due to technology and other issues, management decided to discontinue the pilot and return the pilot sites to VA's existing financial management system by the beginning of FY 2005. An executive project committee, chaired by VA's Assistant Secretary for Information and Technology (VA CIO) and comprised of other senior leaders, is examining the results of the CoreFLS pilot program at the Bay Pines VA Medical Center, as well as the other two pilot sites, and will make recommendations to the VA Secretary concerning the future of the program.

Under FMFIA, VA corrected one material weakness, *Compensation and Pension System — Lack of Adaptability and Documentation*. We are currently working on the closure of the remaining two material weaknesses, *Personnel Accounting Integrated Data (PAID) System — Mission Performance* and *Internal Control Weaknesses in the Compensation and Pension Payment Process*, which are expected to be closed in early FY 2005 and FY 2006, respectively. We continued efforts to implement the requirements of the Improper Payments Information Act (IPIA). VA successfully completed a statistical sampling of 17 of the 19 programs in VA's IPIA inventory. The remaining two programs will be sampled in FY 2005.

The Department also continues to make progress in implementing the Government Performance and Results Act. We are continuously assessing and refining our performance measures, the quality of data used to compute those measures, and procedures for compiling performance data. Procedures are being developed to enhance data validation to ensure that our stakeholders have useful and accurate performance data.

While we are proud of our accomplishments in FY 2004, we will continue to strengthen and improve all aspects of our performance. Our goal is to maintain and/or exceed VA's high financial management standards in FY 2005. We will continue to promote effective management controls and focus on further actions associated with the President's Management Agenda initiatives.

A handwritten signature in black ink, appearing to read "William A. Moorman".

William A. Moorman