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Opening Statement Congressman Todd R. Platts March 3, 2004

The Financial Report of the United States and the accompanying audit of the report performed by the General Accounting Office (GAO) were released on an accelerated timeframe this year on February 27, 2004. Unfortunately, for the seventh straight year, GAO was unable to render an opinion on the Federal government's financial statements. Again this year, GAO reported significant material deficiencies that affected both the financial statements and the management of government operations.

For fiscal year 2003, twenty of the 23 Chief Financial Officer Act agencies received unqualified or "clean" audit opinions on their individual financial statements. Of the 28 "major" departments, 24 received clean opinions. These numbers represent a leveling off of the progress that we have seen in financial reporting since 1997. The Department of Defense, the Small Business Administration, and the National Aeronautics and Space Administration, all CFO Act agencies, failed to receive clean opinions this year. Additionally, the Department of Homeland Security, which is not subject to the CFO Act, received a disclaimed opinion.

GAO points out in their audit report of the consolidated statement that the financial management problems at DOD are "pervasive, complex, long-standing, and deeply rooted in virtually all business operations throughout the department." President Bush's Administration has made improving financial performance a top priority. Secretary of Defense Donald Rumsfeld and the financial management team at DOD are working hard to improve the Department's financial management system. With each fiscal year, DOD gets closer to obtaining an audit opinion. However, until DOD solves their financial problems and receives a clean opinion, the entire Federal government's financial statement will continue to be unreliable.

The Department of Homeland Security, which came into being five months into the 2003 fiscal year, has made important strides in financial management. Having

inherited 18 material weaknesses from component agencies, they have managed to complete their audit and address many of the challenges they faced and obtain a qualified opinion on two of their statements. The other four statements, however, received disclaimers, revealing that although progress has been made, DHS still has a long way to go before its financial management is where it needs to be.

Congress has placed significant emphasis on the financial accountability of publicly traded companies and their responsibility to provide accurate information to investors. Congress and the Federal government have an equal, if not greater responsibility, to be accountable to our investors, the American taxpayer.

Our witnesses today will provide the Subcommittee with insight on the results of the consolidated financial statement and discuss areas that need improvement. Today, we are honored to have The Honorable David M. Walker, Comptroller General of the United States; The Honorable Linda Springer, Controller for the Office of Federal Financial Management at the Office of Management and Budget; and Donald V. Hammond, Fiscal Assistant Secretary at the Department of Treasury. I look forward to your testimonies.