

Message From The Chief Financial Officer

As Chief Financial Officer (CFO) of the U.S. Department of Health and Human Services (HHS), I am pleased to present our final Accountability Report of the twentieth century. This notable milestone offers an opportunity to reflect on impacts the Department has made, and continues to make, on our nation's finances and on the health and family issues over which we have jurisdiction. Our achievements are many, not the least of which includes obtaining our first "clean" opinion on the Departmentwide financial statement audit for FY 1999.



CFO John J. Callahan

HHS accounts for over \$359.7 billion in net Federal outlays, or 21.1% of the Federal budget. Additionally, nearly 60% of all Federal grant funds flowed through HHS systems on their way to recipients. Those statistics alone highlight the need for HHS to be fully accountable to the taxpayers for the use of their dollars.

The independent financial statement audit process is one of the most reliable methods of determining the strength of internal controls and the reliability of financial information. As such, the Department has been subject to financial statement audits since FY 1996. Since that time we have worked hard to obtain our "clean" opinion. However, due to our systems limitations, we have had to devote significant amounts of resources at year end to the audit process to perform manual reconciliations and other work that is best automated and performed on a monthly or more frequent basis. We still need to upgrade and better integrate our financial systems and internal control mechanisms. Until we do so, the financial statement audit will continue to be a major challenge each year.

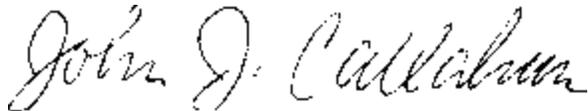
In this report, we have expanded our reporting on financial management performance, using the performance measures and targets from our companion document, the FY 1999 Chief Financial Officers Financial Management Status Report and Five-Year Plan, as a basis. Our performance targets all support our two broad financial management strategic goals:

- Decision makers have timely, accurate, and useful program and financial information, and
- All resources are used appropriately, efficiently, and effectively.

We are pleased that in many areas, our performance met or exceeded our targets. For example, we exceeded several of our electronic commerce targets, exceeded our target for timely resolution of cross-cutting financial assistance audits associated with our grantees, and far surpassed our targets for in-house financial management training. These accomplishments are in addition to our efforts to resolve our prior year audit qualifications so that we could achieve our clean opinion for FY 1999.

Preparedness for the Year 2000 was the major management effort during FY 1999, and through that process we learned a great deal that we can apply to other efforts. One of the most important systems initiatives we have begun to tackle is the growing threat of cyber-terrorism. Additionally, we must continue to integrate and strengthen our program and financial systems.

I am proud of the achievements we have made over the last five years that I have served as CFO. Our foundation is stronger now, yet we will face challenges in workforce planning, continued needs for system enhancements and reductions in the Medicare payment error rates, and opportunities for strategic partnering with program managers.



John J. Callahan