

THE CFO VIEWPOINT

Responsible reporting at FAA

Award shows commitment to performance, budgeting

Not long ago, few would have thought the Federal Aviation Administration could win the prestigious Certificate of Excellence in Accountability Reporting (CEAR) for its fiscal 2003 Performance and Accountability Report. Bestowed by the Association of Government Accountants



By **RAMESH PUNWANI**

(AGA), this award is the highest recognition for management reporting in the federal sector. To win the award, an agency must produce an interesting, informative and inviting document that achieves the goal of complete and fair reporting. This achievement means the agency has adopted new accounting and reporting requirements that will improve accountability and reflect management's response, financial and program performance issues. This year, 10 federal agencies received the CEAR recogni-

tion.

Since 1990, 24 of the largest agencies have had to prepare an annual Performance and Accountability Report to provide information on their performance and financial status. While the FAA, as a part of the Transportation Department, does not have to prepare the report, doing so displays the FAA's commitment to accountability in performance and financial management. This year, in its letter announcing the FAA's receipt of CEAR for the first time, AGA wrote: "We are very impressed with many aspects of the FAA's 2003 Performance and Accountability Report, as well as its companion document, Performance and Accountability Highlights, and enthusiastically commend you for the agency's commitment to excellence."

FAA's Highlights document is a shorter version of the performance report, extracting much of the manage-

ment's discussion and analysis section, key performance results, and summary information. It is similar to an annual report from a private-sector firm, geared for a reader with a general interest in the FAA. This document also received honors from the League of American Communications Professionals LLC in their government category.

As FAA's performance report shows, we have improved our financial and performance management in major ways. In fiscal 2003, we met nine out of 12 performance goal targets and, for the third year in a row, we received an unqualified opinion on our financial statements from the inspector general. Our 2003 opinion contained no material internal control weaknesses. Historically, the IG has identified accounting and reporting on the FAA's property, plant and equipment as a material internal control

weakness. At more than \$13 billion, property, plant and equipment represent more than 47 percent of the FAA's assets. Last November, the FAA implemented Transportation's new financial management system, called Delphi, including a fully integrated property accounting system. We also implemented a new procurement system. This year, our budget ties directly to performance targets that support the FAA's Flight Plan — its strategic plan — and the president's management agenda. We will complete our implementation of a cost-accounting system, providing managers with the full cost of FAA services to help them better understand and control their costs.

As the FAA looks to the future, we will build on past successes to face challenges ahead. One of the greatest challenges will be to manage our business more effectively while meeting even tighter

reporting deadlines for financial statements. As with all major changes, setting up the new procurement and financial management systems has not been easy. We will now focus on issues and changes that will improve our business processes, which in turn will help earn a favorable audit opinion. One step we are taking is to consolidate our nine regional accounting operations into a single finance center, making us more efficient and standardizing our accounting processes.

Receiving the CEAR award was a great accomplishment for the FAA and its management. Hundreds of individuals contributed to the Performance and Accountability Report and supported the audit of the agency's financial statements. We are proud of this accomplishment. We will expand our efforts to address new challenges, ensuring that we continue to deliver an exceptional return in this new century of flight.

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