

# Message from the Deputy Secretary of Defense

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I am pleased to present the Department of Defense fiscal year 2003 Performance and Accountability Report.

The Department has made significant progress in transforming America's defense posture to enable decisive plans to address future security challenges. We have demonstrated our superior warfighting capabilities in Iraq and Afghanistan. The price of democracy is not cheap. We see continual pressures on the Department's resources in the years ahead. We will focus relentlessly on efficient and careful use of these resources as we continue fighting the global war on terror.

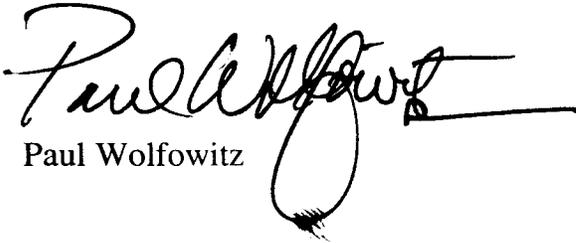
I am very proud of the improvements the Department has made in its personnel management practices and we will continue to drive towards a performance-based rating of our workforce. The quality of life of our military members, who risk their lives for all of us to enjoy the freedoms of democracy, has been enhanced by upgrading facilities and advancing private-public partnerships in military housing. We have also seen increased efficiencies due to practicing more realistic budgeting, increasing our focus on core support functions, and reforming our annual review of programs and funding.

I have seen impressive advancements throughout the past year in the Department's efforts to improve financial reporting and management processes. Specifically, through the Department's Business Management Modernization Program, the financial management processes and controls are being integrated into the business processes to ensure accountability and auditability of the Department's business transactions. This program is enabling the transformation of the Department's business areas and is way overdue. This effort will eliminate the reporting and accountability deficiencies in the current systems and processes.

The Department now has a report card that identifies how well we did towards achieving the strategic plan, objectives, and goals. This is a very effective management tool that is allowing us to keep fine tuning our implementation of the strategic plan. Looking at our report card results this year, the Department met several of its performance goals, but still has work to do in other areas.

The Department is committed to effective internal controls, full compliance with established guidelines and standards, and proper stewardship of the resources entrusted to it. During fiscal year 2003 we corrected 25 management control weaknesses, and except for the unresolved weaknesses noted in the Management Discussion and Analysis section (Part 1) of this report, the Department has reasonable assurance that its management controls are effective. The Department will continue its efforts to resolve the remaining issues and I am confident that the Department will continue to fulfill its mission responsibilities.

Looking ahead, the Department continues the transformation of its support structure and management practices. While the Department has made progress in many areas, we must continue to upgrade performance and accountability, streamline and strengthen management, and ensure that every defense dollar is expended as wisely as possible.



Paul Wolfowitz