November 15, 2007

We are pleased to present the fiscal year (FY) 2007 Agency Financial Report of the Department of Defense. The Department’s leadership considers its financial stewardship responsibility to be an integral part of its mission to defend our Nation.

The Department’s financial management professionals have worked hard to improve the quality, accuracy and reliability of our financial information. As of FY 2006, roughly one-third of the Department’s $3.3 trillion in combined assets and liabilities have achieved an unqualified audit opinion. By following the roadmap we have laid out, the Department expects to increase its overall audit readiness to two-thirds by the end of FY 2009.

During FY 2007, efficiency gains in financial management operations allowed us to return savings to the warfighter of almost $100 million in projected overhead costs. We also reduced the amount of outstanding debt owed to the Department by $1.2 billion over the last two years through better monitoring and collection efforts.

Our monitoring of costs in the procurement contract area led to over $2.4 billion in savings. In addition, the Department investigated and collected over $225 million in fraudulently billed costs. These efforts have stretched the warfighter dollar and increased the Department’s purchasing power.

We continue to improve our financial stewardship by strengthening internal controls. A recently concluded audit of the Department’s civilian payroll system, which pays over 795,000 federal employees, found no weaknesses in the design of the system internal controls. This year, the Department’s Management Internal Control Program, which identifies reports and corrects material internal control weaknesses, reduced the number of uncorrected weaknesses from 35 to 19.

We acknowledge that the journey before us is challenging, but supporting our warfighters and prudent stewardship of taxpayer resources demands nothing less. We are all deeply grateful to our soldiers, sailors, airmen and marines who defend our freedom each and every day. Those of us in the financial community are proud to do our part to support them.

Tina W. Jonas