

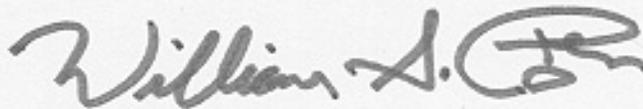
A Message From the Secretary of Defense

I am pleased to present the first Biennial Financial Management Improvement Plan (Biennial Plan) for the Department of Defense. The Biennial Plan touches on almost all aspects of financial management within the Department of Defense. It includes, for the first time, a financial management concept of operations that describes the manner in which the Department intends to carry out financial management operations in the future.

There is no other organization that is as large and diverse as the Department of Defense. The Department manages over a trillion dollars in assets and maintains over 500 bases in 150 countries and territories throughout the world. We employ over two million active duty and reserve personnel as well as 700,000 civilian employees. The size of the three Military Departments of the Department of Defense, the Army, the Navy and the Air Force collectively, dwarf the largest organizations in the private sector as well as all other federal agencies.

The size and complexity of the Department of Defense makes changing the Department's financial management a significant challenge. However, it is a top priority. During the last 4 years the Department has undertaken the most comprehensive reform of financial management systems and practices in the Department's history and has made significant progress. Financial operations have been consolidated, the number of finance and accounting systems have been significantly reduced, standard systems have been designated, ambitious deployment schedules have been established and implemented, duplicate systems have been eliminated, and business practices have been reengineered to adopt best practices from both the private and government sectors.

The Department has established its strategy with the Biennial Plan to manage our future financial management operations. While we have made significant progress, we are committed to, and will aggressively continue, our financial reforms to meet the President's challenge to produce auditable financial statements.



William S. Cohen