

MESSAGE FROM THE SECRETARY OF ENERGY

December 11, 2003

I am pleased to present our Performance and Accountability Report, including information on the Department's financial, management, and programmatic results for fiscal year 2003. This report presents how we are using the resources entrusted to us; explains the connection between our mission, goals and performance targets; and describes how we are working to serve the American people better.



The independent public accounting firm KPMG LLP, working for the Department's Inspector General, has audited the Department's fiscal year 2003 financial statements contained in this report. I am proud to announce that for the fifth consecutive year the Department has received an unqualified audit opinion. This demonstrates our commitment to maintaining sound financial practices and reliable financial information to support management decision-making.

We have also completed our evaluation of the Department's management controls as required by the Federal Managers' Financial Integrity Act. The purpose of this evaluation is to identify any material weakness that places the overall control system at risk. No such weakness was identified in the Department for fiscal year 2003. In addition, we have evaluated our financial management system as required by the Federal Managers' Financial Integrity Act and the Federal Financial Management Improvement Act, and we find that it generally conforms to governmental financial system requirements.

While reliable financial information and strong management controls are the backbone of financial and program management, the results of operations are best reflected by the successful accomplishment of agency and program goals. The Department has established four strategic goals for achieving its mission. This report describes how we are protecting national security by applying advanced science and nuclear technology to national defense; protecting national and economic security by promoting a diverse supply of reliable, affordable, and environmentally sound energy; protecting national and economic security by providing world-class scientific research capacity and advancing scientific knowledge; and protecting the environment by providing a responsible resolution to the environmental legacy of the Cold War and by providing for the permanent disposal of the Nation's high-level radioactive waste. Taken as a whole, our report contains complete and reliable results achieved from working toward those goals, and it also describes how we measure our successes and are working to address shortfalls.

At the beginning of fiscal year 2003, the Department celebrated its 25th anniversary and saluted the vital contributions this agency has made to the Nation's energy security and national defense. We recognize that accountability to the American people is a basic tenet of the United States Government. As we move forward into the exciting challenges of the future, we stand ready to pursue our mission in the most efficient and effective manner and to meet our responsibilities as stewards of the public trust.


Spencer Abraham

FOREWORD

The Reports Consolidation Act of 2000 authorizes Federal agencies to consolidate various reports in order to provide performance, financial and related information in a more meaningful and useful format. In accordance with the Act, the information contained in this report is a consolidation of reporting requirements that will serve multiple audiences and users with varied levels of detail. This report is comprised of three primary sections that provide an accurate and thorough documentation of the Department's stewardship of our mission critical resources and services provided to the American people.

- 1. The Management's Discussion and Analysis section provides information on the Department's mission, its organizational structure, and its financial resources. It provides executive-level information on the Department's management controls, systems and compliance with laws and regulations and identifies the Department's most serious management control challenges, which are referred to as Significant Issues with this report. This section also provides information on the Department's most significant performance achieved within our critical mission objectives and describes the methods employed to monitor, assess, verify and validate our performance information.**
- 2. The Performance Results section provides detailed information and an assessment of our progress on all of the Department's performance goals and targets for the past four years.**
- 3. The Financial Results section provides a message from the Acting Chief Financial Officer, the Department's audited Fiscal Year 2003 and 2002 financial statements and related auditors' reports.**

THIS REPORT MEETS THE FOLLOWING LEGISLATED REPORTING REQUIREMENTS:

Department of Energy Organization Act of 1977 – requires annual report on agency activities.

Federal Managers' Financial Integrity Act of 1982 – requires a report on the status of management controls and the most serious problems.

Federal Financial Management Improvement Act of 1996 – requires an assessment of financial systems for adherence to government-wide requirements.

Inspector General Act of 1978 (Amended) – requires information on management actions in response to Inspector General audits.

Government Performance and Results Act of 1993 – requires performance results achieved against all agency goals established.

Government Management Reform Act of 1994 – requires agency audited financial statements.