

United States Department of State

**Accountability
Report
for Fiscal Year
1998**

October 1999

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MESSAGE FROM THE SECRETARY



I am pleased to submit the Department of State's *Accountability Report for Fiscal Year 1998*. The *Accountability Report* presents our key accomplishments of 1998 together with the 1998 audited financial statements similar to a corporate annual report. It also meets several mandatory reporting requirements for which we have traditionally sent separate reports to the President and the Congress.

For 1998 we have received an unqualified opinion, which is to say a complete bill of health, from our auditors on our annual financial statements. Our financial systems continue to improve, and as we move into the next millennium, we foresee more extensive reporting on program accomplishments with better program performance measures on which to base our success. We are expanding our efforts to identify specific costs by major strategic program as required by the Government Performance and Results Act. In this way, Congress and the American public will be better able to understand how we use the resources entrusted to us for foreign affairs programs.

The international programs documented in the *Accountability Report for Fiscal Year 1998* have a direct domestic impact on the United States, its citizens and our economy. They demonstrate clearly that there is nothing about America's foreign policy that is foreign to the interests of our citizens. Nothing is more vital to our workers than to build a strong world economy with open markets for American goods and services. Little can be more important to our families than safeguarding their communities from the plague of drugs, terror and crime. And nothing can be more essential to our national security than halting the proliferation of weapons of mass destruction.

Over the past year, America's foreign policy has safeguarded these national interests and more. And this has been accomplished with just one percent of the entire government budget. Indeed, that one percent may determine 50 percent of the history that is written about our era; and it certainly affects the lives of 100 percent of the American people.

I invite you to read this *Accountability Report* as a record of the resources we use, and the accomplishments we secure, overseas to promote the interests of Americans at home.

A handwritten signature in black ink that reads "Madeleine Albright". The signature is written in a cursive, flowing style.

Madeleine K. Albright
Secretary of State

MESSAGE FROM THE CHIEF FINANCIAL OFFICER



The *Accountability Report for Fiscal Year 1998* describes both the financial and program accomplishments of the Department presented within the framework of the *Strategic Plan* and the seven areas of National Interest. As the Department fully implements the Government Performance and Results Act of 1993 (GPRA) with performance plans, budgets and reporting, greater emphasis on performance measures to define success and evaluate performance will be utilized. Moving towards this goal, in 1998 we began an effort to define a new accounting code structure to permit better program management by relating program expenditures to each of the strategic goals identified in the *Strategic Plan*.

For the second consecutive year, the independent CPA firm, selected by our Inspector General, has issued an unqualified ("clean") opinion on the Department's consolidated financial statements. The Department's first Statement of Net Cost was prepared in order to comply with the new accounting standard. The auditors also reviewed the Department's internal controls that were strengthened during 1998 with improvements in disbursing, cashiering and management of personal property overseas.

As a result of the bombings in Nairobi and Dar es Salaam, the President and the Secretary of State requested and the Congress subsequently approved a \$1.5 billion supplemental appropriation for fiscal year 1999 to improve security. It provides funds to rebuild the destroyed embassies, upgrade security equipment, expand local guard protection services, relocate and build new facilities at high risk posts, combat terrorism, and provide special assistance to Kenya and Tanzania. The Department is also requesting continuing funding for overseas facility construction for fiscal years 2001-2004 amounting to \$3.6 billion.

During 1998 and continuing into 1999, the Department updated the worldwide financial management systems to handle the transition to the second millennium. The Department implemented a comprehensive set of Y2K compliance plans so that all financial systems are now ready to operate in year 2000. Also, the Department has contracted to develop a detailed remediation plan designed to meet all of the requirements of the Federal Financial Management Improvement Act (FFMIA) of 1996.

The Department's Financial Service Centers located overseas in Bangkok and Paris, and domestically in Charleston, South Carolina continue to provide critical support for the Department of State and all other U.S. Government agencies with an overseas presence. Significant accomplishments include expansion of electronic banking using industry standard technologies and methodologies, elimination of the Department's material weakness in disbursing and cashiering, standardization of overseas financial management systems, and the growth in both quality and quantity of financial management training for staff at overseas posts.

The financial management improvements begun in 1998 will yield dividends in future years.

A handwritten signature in black ink that reads "Bert T. Edwards". The signature is fluid and cursive, with a long, sweeping underline.

Bert T. Edwards
Chief Financial Officer

Overview of the Department of State

