

United States Department of State

**Accountability
Report
for
Fiscal Year
1997**

November 1998

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MESSAGE FROM THE SECRETARY

I am pleased to submit the Department of State's *Accountability Report*. The *Accountability Report for Fiscal Year 1997* consolidates the reporting mandated by several laws that have historically required separate reports to the President and the Congress. It is designed to present the Department's most significant accomplishments realized in 1997 consistent with its mission as the lead U.S. foreign affairs agency. The Department is responsible for advancing national objectives and interests in shaping a freer, more secure, and more prosperous world through formulating, representing, and implementing the President's foreign policy.

As the President's chief foreign policy adviser, it is my responsibility to direct, manage, and oversee U.S. representation to the 162 countries where the United States maintains diplomatic missions and to manage U.S. participation with many international organizations. The Department promotes and protects the interests of U.S. citizens in the following ways:

- Manages our worldwide diplomatic relations, especially with the world's great powers and international institutions;
- Promotes peace and stability in regions of vital interest;
- Creates jobs at home by opening markets abroad;
- Faces an array of global challenges that no nation can meet on its own; and
- Provides services to U.S. citizens traveling or living overseas.

Within the framework of the foreign affairs mission, 1997 was a very productive year for the Department and the United States. There were several major accomplishments which, although more thoroughly described later in this *Report*, deserve mention. First, thanks to bipartisan support in the Congress, the United States joined the Chemical Weapons Convention as an original member. Clearly, given the recent events in the Persian Gulf, U.S. leadership in opposing the spread of weapons of mass destruction is vital. Second, in Europe, the North Atlantic Treaty Organization (NATO) invited new members and forged historic partnerships with Russia and Ukraine. In Bosnia-Herzegovina, we reinvigorated efforts to implement the Dayton Accords so that the hard-earned peace will last and the investment and sacrifices we have made will not be in vain. Third, in Asia, we signed new defense guidelines with Japan, began Four-Party talks aimed at lasting peace on the Korean Peninsula, and intensified a dialog with China in which we achieved progress on economic and security matters and promoted our human rights principles.

During 1997, customer focus was highlighted when our passport and consular services to U.S. citizens traveling or living overseas were recognized by the Vice President's presentation of the National Performance Review's Hammer Award for Outstanding Performance. The Office of Passport Services received the Award for providing more than six

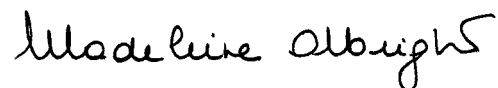
million passports to citizens, exceeding private sector standards of service. The Office of Citizens Services was recognized also for its efficient evacuation of U.S. citizens from Sierra Leone and The Democratic Republic of the Congo, countries where civil strife threatened their lives. In addition, the Department's Internet site received several awards from the private sector for its design and utility.

As custodian of the resources entrusted to us by the Congress and U.S. citizens to carry out the U.S. foreign policy agenda, we continue to improve our financial and management systems while placing great emphasis on ensuring that our basic information technology is year 2000 compliant. This fiscal year is the second consecutive year that the Department has produced audited, consolidated financial statements for all of its operations.

The progress detailed in this *Accountability Report* is the direct result of the dedication and hard work of our 22,000 employees worldwide who serve every day to achieve the Department's mission. We are proud of their accomplishments.

With emphasis on the future, our 1997 foreign affairs programs and activities are described within the framework of the *International Affairs Strategic Plan*, which contains the strategic goals of national interest to the Congress, the President, and the American people. This method of presentation will facilitate future program performance reporting required by the Government Performance and Results Act of 1993 (GPRA).

To enhance understanding of the Department and its mission, we hope that every U.S. citizen will take the opportunity to read this first *Accountability Report*. It is also accessible on the Internet at www.state.gov.



Madeleine K. Albright
Secretary of State

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

The Accountability Report for Fiscal Year 1997 reflects both the program and financial performance of the Department of State's worldwide operations, with emphasis on significant program accomplishments realized during the year. The range of financial management activities extends to each overseas post and all offices and bureaus of the Department based in Washington, D.C. The consolidated financial statements and accompanying auditor's report reflect the financial status of the assets, liabilities, and U.S. Government equity as of September 30, 1997.

We have realized significant improvement in our financial management activities during 1997. The Department's financial statements received an unqualified opinion from our independent auditor. Although we will continue to strive to maintain this standard, new Federal accounting standards that became effective with the new fiscal year may impact on the opinion on our 1998 financial statements.

During 1997, substantial progress in correcting internal control weaknesses occurred. Weaknesses were corrected in the areas of overseas administrative support services, accounting for travel advances, and accounting for accounts receivable. We are accelerating efforts to improve internal controls and correct the remaining weaknesses in our operations.

Significant improvements have also occurred within financial management systems. We have recently upgraded our Central Financial Management System to the most recent release of this commercial-off-the-shelf (COTS) product to ensure year 2000 compliance with this mission-critical system. System efforts contributed to the correction of material weaknesses in the areas of receivables and travel advances noted above. All mission-critical financial management systems are on schedule to be year 2000 compliant by March 1999. We will continue to focus on system improvements in the areas of developing a standard regional financial management system, improved interfaces, and greater integration between domestic and overseas systems.

As we prepare for the full implementation of the GPRA over the next several years, financial management will shift significantly from the traditional emphasis on budgeting to performance management based on accomplishment of strategic goals and objectives, and specific, measurable indicators of performance. The format of the *Accountability Report* is consistent with this change. Future *Reports* will more closely align program accomplishments with resources utilized, and will use more cost accounting information on specific programs and activities rather than primarily budget information.

Moving toward the vision of providing financial management support for the Department's programs and activities and meeting the requirements of the GPRA, 1997 represented the first full year of implementation of the International Cooperative Administrative Support Services (ICASS) cost-sharing program. The ICASS program is now operating worldwide and provides a sound basis for assessment of charges for administrative support activities provided by the Department to more than 150 different agencies or entities of the Federal Government operating overseas in U.S. Embassies, Consulates and Missions to international organizations. Agencies pay for services they receive based on the cost of those services and, if they are not satisfied, they have the option of obtaining services from other sources. This has made the Department more efficient and the agencies more responsible in assuming the administrative burden of supporting their activities overseas.

The Department looks forward to continued progress in 1998 and 1999, furthering improvements to financial systems and operations.



Bert T. Edwards
Chief Financial Officer