

4 FAM 000 FINANCIAL MANAGEMENT POLICY, ORGANIZATION, AND ACCOUNTING PRINCIPLES AND STANDARDS

4 FAM 010 FINANCIAL MANAGEMENT POLICY

*(CT:FIN-363; 10-4-2004)
(Office of Origin: RM/FPRA/FPMC)*

4 FAM 011 STATEMENT OF FINANCIAL MANAGEMENT POLICY

(CT:FIN-363; 10-4-2004)

It is the policy of the Department to:

- maintain effective financial management *programs and* systems
- conduct a continuous program *to* improve *financial operations* and systems *and to identify more* efficient methods of operations regarding budgeting, accounting, financial reporting, and auditing
- be responsive to management needs at the various levels of the Department
- be responsive to the *financial reporting and other* requirements of both the executive and the legislative branches

4 FAM 012 IMPLEMENTATION, SCOPE AND RESPONSIBILITY FOR FINANCIAL MANAGEMENT

(CT:FIN-363; 10-4-2004)

Implementation procedures of the Department's financial management policy, including the application of its accounting principles and standards are published in 4 FAH-3. Supplemental instructions may be issued to meet special circumstances *or to address processes associated with specific automated systems*.

4 FAM 013 BASIC FINANCIAL MANAGEMENT OBJECTIVES

(CT:FIN-363; 10-4-2004)

- a. Internal management should employ an integrated financial management system, including the accounting system as an essential element *that* provides *useful* financial data to fulfill *the requirements below* effectively, efficiently, and economically.
 - (1) Internal management requirements for financial information regarding the day-to-day operations and for planning, programming, budgeting, performance evaluation, and reporting.
 - (2) External requirements prescribed by:
 - (a) legislation;
 - (b) the Office of Management and Budget;
 - (c) Department of the Treasury; and
 - (d) other control agencies.
- b. The Department's financial management program provides for:
 - (1) Alignment of the Department's organization and staff facilities to provide for the most effective conduct of the Department's financial management;
 - (2) An effective accrual basis accounting system;
 - (3) A fully integrated financial system to record, track, and reconcile all balance sheet accounts;
 - (4) Cost-based budgeting practices effectively integrated with the accounts to provide adequate support, as required, for budget requests;
 - (5) Simplification of appropriation and allotment structures and

- development of the most effective methods of control of appropriations, funds, obligations, expenditures, and costs;
- (6) Consistency of classifications used for planning, programming, budgeting, accounting reporting, and synchronization with the Department's organization structure;
 - (7) Effective internal management control, including internal auditing;
 - (8) Integration of accounting and reporting with the requirements of the budget process and the central accounting and reporting to the Department of the Treasury;
 - (9) Development of accurate and useful Departmental reports on fiscal status, financial results of operations, and cost of performance of assigned functions for internal and external use; and
 - (10) Education of personnel in effective maintenance and maximum utilization of these management tools to effect economy in Department operations.

4 FAM 014 BASIC AUTHORITIES

(CT:FIN-363; 10-4-2004)

The principal statutory requirements which underlie the Department's financial management *policies and* systems are:

- (1) The *Department of State Basic Authorities* Act (22 U.S.C. 2651 et seq.), establishes the Department of State as an arm of the executive branch, providing for its organization, functions, and administrative authority;
- (2) *The* Federal Property and Administrative Services Act of 1949 (*generally* 40 U.S.C. Title 1, and 41 U.S.C. 251) requires agencies to maintain adequate inventory control, accountability, and management systems for property under their control;
- (3) Budget and Accounting Procedures Act of 1950, as amended (31 U.S.C. 3512), establishes the congressional policy on the purposes and need for an adequate accounting system and financial reporting. This Act sets forth the responsibilities of each executive agency, the *Comptroller General*, the Office of Management and Budget, and the Treasury Department for the implementation of these policies;

- (4) 31 U.S.C. 1501 sets forth the criteria that govern the recording, documentation and reporting of financial transactions as obligations;
- (5) Foreign Service Act of 1980, *as amended* (22 U.S.C. Secs. 3901 et seq.) *includes provisions specific* to the Department affecting fiscal and substantive responsibilities, that in turn affect financial management;
- (6) 31 U.S.C. 3512(b) and (c) require that internal accounting and administrative controls of each executive agency shall be established in accordance with standards prescribed by the Comptroller General, and shall provide reasonable assurances that:
 - (a) obligations and costs are in compliance with applicable law;
 - (b) funds, property, and assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and
 - (c) revenue and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets.
- (7) Prompt Payment Act of 1982, *as amended* (31 U.S.C. Secs. 3901 et seq.) requires Executive departments and agencies to make payments on time, to pay interest penalties when payments are late, and to take discounts only when payments are made on or before the discount date. These *laws* provide for timely payment, better relationships with contractors, improved competition for Government business, and reduced costs to the Government for property and services;
- (8) *The* Anti-Deficiency Act (31 U.S.C. 1341, 1514 and 1517), provides that obligations and/or expenditures not exceed amounts appropriated or apportioned, or amounts allotted for administrative control;
- (9) Chief Financial Officers Act of 1990, Public Law 101-576 (31 U.S.C. 901-903), established Chief Financial Officers (CFOs) with broad authorities over financial management for executive departments and *major* agencies. It requires the preparation and audit of financial statements for revolving funds, trust funds and commercial activities administered by government agencies. CFOs must submit annual reports on the status of financial management within their organizations as well as a five-year financial management plan to improve financial policies, personnel and systems;

- (10) Cash Management *Improvement* Act of 1990, *as amended* (31 U.S.C. 3335 and 31 U.S.C. 6501 and 6503) governs the timely disbursement of Federal funds. Each agency's payments to other agencies are subject to interest if not paid within prompt payment deadlines;
- (11) Federal Credit Reform Act of 1990, Public Law 101-508 (2 U.S.C. 661) established requirements *to measure more accurately the costs of Federal credit programs*;
- (12) Debt Collection Procedures Act of 1990, Public Law 101-647 (28 U.S.C. 3001-3015, 3101-3105) provided the Department of Justice with enhanced debt litigation capability, including standard Federal civil procedures for recovering judgments on debt and obtaining pro-judgment remedies;
- (13) 31 U.S.C. 1552, 1553, 1555 and 1557 set rules for determining the availability of appropriation and fund balances and established the procedures for closing appropriation and fund accounts. *These sections* limited expenditures from appropriation accounts to five years from the date of the original appropriation;
- (14) The Government Performance and Results Act of 1993, Public Law 103-62 (5 U.S.C. 306) requires agencies to develop 5-year strategic plans that describe the mission, goals, and objectives of the agency as well as the strategies for accomplishing the plan. *Pursuant to 31 U.S.C. 1115 and 1116, agencies are required to submit an annual performance plan and an annual performance report, respectively*;
- (15) The Government Management Reform Act of 1994 streamlines management controls in agencies' reporting to Congress through OMB;
- (16) *The Federal Financial Management Act of 1994, at section 405 (31 U.S.C. 3515) requires agencies covered by the CFO Act to prepare annual, agency wide financial statements. In addition, this Act, at section 402 (31 U.S.C. 3332) requires Federal payments to be made electronically*;
- (17) *The Federal Financial Management Improvement Act of 1996, Public Law 104-208, Secs. 801-808 (31 U.S.C. 3512 note) requires U.S. Government agencies to use the standard general ledger, prepare financial statements in accordance with generally accepted accounting principles, and to ensure financial management systems meet specified standards*;
- (18) *The Debt Collection Improvement Act of 1996, Public Law 104-134*

(31 U.S.C. Secs. 3701, 3711, 3716, and 3720A) authorizes and requires actions to maximize collections of delinquent debts, minimize costs of collection, reduce losses, and inform the public of these procedures;

(19) The Reports Consolidation Act of 2000, Public Law 106-531, at section 3(a) (31 U.S.C. 3516) authorizes the consolidation of financial and performance management reports into a single report. This action will provide financial and performance management information in a more meaningful and useful format for the President, Congress, and the public; and

(20) The Improper Payments Information Act of 2002, Public Law 107-300, requires Federal agencies to provide for estimates of improper payments and report on actions to reduce them.

4 FAM 015 THROUGH 019 UNASSIGNED