U.S. Department of State

Fiscal Year 2024

Agency Financial Report

People Powered Diplomacy

U.S. DEPARTMENT OF STATE AT A GLANCE

Table 1. 2024* Highlights *(dollars in billions)*	Percent Change 2024 over 2023	2024	2023	2022	2021
Balance Sheet Totals as of September 30					
Total Assets	+4%	$ 127.2	$ 122.4	$ 116.0	$ 111.9
Total Liabilities	+10%	48.1	43.6	40.8	35.8
Total Net Position	—	79.1	78.8	75.2	76.1
Results of Operations for the Years Ended September 30					
Total Net Cost of Operations	+6%	$ 37.5	$ 35.5	$ 38.4	$ 38.4
Budgetary Resources for the Years Ended September 30					
Total Budgetary Resources	+3%	$ 87.2	$ 84.5	$ 83.1	$ 80.1

* *Throughout this report all use of year indicates fiscal year.*

Figure 1. Total Net Cost of Operations *(dollars in billions)*

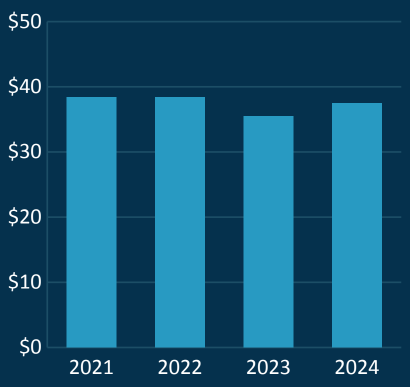


Figure 2. State Department Employees *(in thousands)*

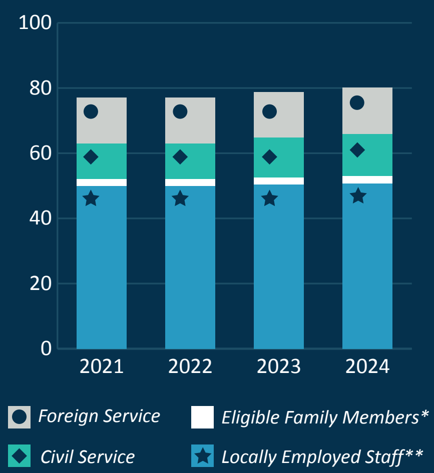
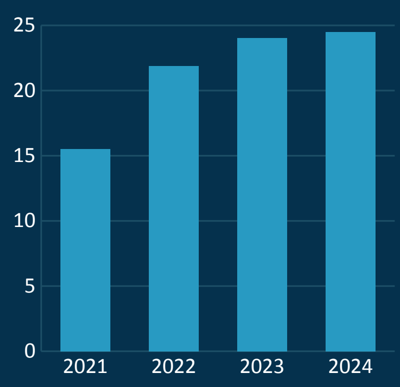


Figure 3. Passports Issued (books and cards) *(in millions)*



* *Eligible Family Members include State only eligible family members and do not include the inactive reserves.*

** *Locally Employed Staff includes Foreign Service Nationals and Personal Services Agreements.*

Figure 2 long description.

ABOUT THE COVER

The Department of State continues to implement the Secretary’s Modernization Agenda, and the 2024 Agency Financial Report cover highlights the Workforce line of effort. The goal of this line of effort is to ensure that the Department is a model workplace that attracts and retains top talent across all hiring types. An empowered workforce that is resilient, agile, secure, and inclusive will help meet the Department’s mission. From the bottom left to the top right the images include: Director General Marcia S. Bernicat celebrates the centennial of the Rogers Act, which established a professional U.S. Foreign Service; Special Envoy Tom Perriello meets with young leaders chosen by their peers in Kampala, Uganda, to amplify a united Sudanese voice for peace, justice, and equality; and Secretary Antony J. Blinken delivers remarks at the second annual Minority Serving Institutions Conference at the Department of State.

Table of Contents

About This Report

The U.S. Department of State's (Department) *Agency Financial Report* (AFR) for Fiscal Year (FY) 2024 provides an overview of the Department's financial and performance data to help Congress, the President, and the public assess our stewardship over the resources entrusted to us.

The Department follows guidance published in the U.S. Office of Management and Budget's (OMB) Circular No. A-136, *Financial Reporting Requirements*, revised, when preparing and submitting audited financial statements to OMB. This report is available on the State.gov *Agency Financial Reports* page and includes information that satisfies the reporting requirements contained in the following legislation:

- Federal Managers' Financial Integrity Act of 1982,
- Chief Financial Officers (CFO) Act of 1990,
- Government Performance and Results Act (GPRA) of 1993,
- Government Management Reform Act of 1994,
- Federal Financial Management Improvement Act of 1996,
- Reports Consolidation Act of 2000,
- Accountability of Tax Dollars Act of 2002,
- GPRA Modernization Act of 2010, and
- Payment Integrity Information Act of 2019.

The AFR is the first in a series of two annual financial and performance reports the Department will issue. The reports include: (1) an *Agency Financial Report* issued in November 2024; and (2) an agency *Annual Performance Report* issued in January 2025.

Certificate of Excellence in Accountability Reporting

On May 16, 2024, the U.S. Department of State was awarded the AGA's prestigious *Certificate of Excellence in Accountability Reporting* (CEAR) for its Fiscal Year 2023 Agency Financial Report. The CEAR is the highest form of recognition in Federal Government management reporting and the 2024 awards event recognized the accomplishments of 23 Federal agencies and departments.

The CEAR Program was established by AGA, in collaboration with OMB and the Chief Financial Officers Council, to increase accountability, highlight agency achievements, and connect performance and financial reporting. This recognition represented the 19th time the Department has been honored to receive the CEAR.

How This Report is Organized

The Department's AFR for 2024 provides financial and performance information for the fiscal year beginning October 1, 2023, and ending on September 30, 2024, with comparative prior year data, where appropriate. The AFR demonstrates the agency's commitment to its mission and accountability to Congress and the American people. This report presents the Department's operations, accomplishments, and challenges. The AFR begins with a message from the Secretary of State, Antony J. Blinken. This introduction is followed by three main sections and appendices. In addition, a series of "In Focus" sidebars are interspersed to present information on the Department's important work related to the theme of this year's AFR, *People Powered Diplomacy*.

Section I: Management's Discussion and Analysis

Section I provides an overview of the Department's performance and financial information. It introduces the mission of the Department, includes a brief history, and describes the agency's organizational structure. This section highlights the Department's goals, its focus on developing priorities, and provides an overview of major program areas. The section also highlights the agency's financial results and provides an analysis of its systems, controls, and legal compliance. This section also includes forward-looking information that speaks to Department known and anticipated risks, and actions to address these challenges.

Section II: Financial Section

Section II details the Department's finances. It opens with a message from the Comptroller, and includes the auditors' reports, audited financial statements and notes, and unaudited Required Supplementary Information to accompany the financial statements.

Section III: Other Information

Section III provides various Federal reporting disclosures. It contains summary tables for the financial statement audit and management assurances, the Inspector General's statement on the Department's challenges and management's response, reports on payment integrity and climate-related financial risk, and other required material.

Appendices

The appendices include data that supports the main sections of the AFR. This includes a glossary of abbreviations and acronyms used in the report, a map of the Department of State's locations, and a listing of the tables, figures, and image credits used in the report.

Note: Throughout this report all use of year indicates fiscal year.
Acronyms are spelled out on the first use and reintroduced in each section.

Message from the Secretary

The Department of State's Agency Financial Report for Fiscal Year 2024 reflects the Administration's conviction that our skilled and dedicated workforce is the heart of our institution. Our people power our drive to fulfill the five goals outlined in our Joint Strategic Plan with the U.S. Agency for International Development:

- Renew U.S. leadership and mobilize coalitions to address the global challenges that have the greatest impact on Americans' security and well-being;
- Promote global prosperity and shape an international environment in which the United States can thrive;
- Strengthen democratic institutions, uphold universal values, and promote human dignity;
- Revitalize the diplomatic and development workforce and institutions; and
- Serve U.S. Citizens around the world and facilitate secure international travel.

I committed on my first day in office to leave behind a State Department ready to meet the tests of the 21st Century – an even stronger, more effective, more agile, and more diverse institution that can lead America's engagement in the world. With bipartisan support from Congress, we are making concrete strides on this modernization agenda:

- **Critical Missions:** Even as we invest in the Department's core missions and areas of expertise, we are resourcing, training, and sustaining focus on issues increasingly consequential to American lives, livelihoods, and security. These issues include strategic competition with the People's Republic of China (PRC); cyberspace and emerging technologies; climate, environment, and energy; global health security and diplomacy; and economic statecraft and multilateral diplomacy. Our new bureaus and units focused on the PRC, Cybersecurity and Digital Policy, Critical and Emerging Technology, Global Health Security and Diplomacy, and the Office of City and State Diplomacy, are bringing deeper expertise and new perspectives to our work.
- **Stronger Diplomatic Capacity:** We are attracting the largest and most diverse Foreign Service classes in over a decade, securing record numbers of new civil service hires, and offering a new paid internship program.
- **Innovation, Dissent, and Policy Risk and Opportunity Planning:** Our revitalized Dissent Channel, new Policy Ideas Channel, and Secretary's Open Forum are offering a direct link between our workforce and senior leaders on consequential policy discussions. Our new Policy Risk and Opportunity Planning Group is identifying and planning for scenarios that directly implicate vital U.S. interests, equipping American diplomats to navigate a more volatile world.
- **New Embassy Models:** Our Flexible, Lean, Efficient, and Expedient Missions are allowing us to establish a diplomatic presence in more places, more quickly, without sacrificing security. That means America can advance our interests and values more effectively in this more competitive world.

Our new U.S. embassies in Maldives, Tonga, Seychelles, Vanuatu, and the Solomon Islands are demonstrating proof-of-concept, and we can apply this model to additional missions in the Pacific and Caribbean.

- **Data-Driven Decision Making:** Our first-ever Enterprise Data Strategy and bureau-level Chief Data Officers are enabling timely and data-informed insights necessary to make key mission and management decisions.
- **Artificial Intelligence (AI):** Our first-ever AI strategy – and "StateChat" Sensitive But Unclassified-capable chatbot – is harnessing the full capabilities of trustworthy AI, leveraging this novel technology to improve efficiency and analysis.
- **Passport Innovation:** Our new online passport renewal system is enabling Americans to update their passports more quickly and efficiently, while we simultaneously plan to add new domestic passport agencies, enhancing in-person services to a broader segment of the American public.
- **Workplace Modernization:** Greater work-life flexibilities, including Expanding Leave Without Pay, the Domestic Employee Teleworking Overseas program, and the Remote Work and Telework flexibilities, are workforce game-changers. We are also expanding positions available to family members overseas, reducing security clearance processing backlogs, and prioritizing family togetherness in the bidding process.

These are important steps, but we'll need to continue to build on these gains in the years ahead to unlock the transformative potential of U.S. diplomacy – the workforce that powers it.

This AFR is our principal report to the President, Congress, and the American people on the Department's management of the public funds entrusted to us to enable our leadership of U.S. diplomacy. The Department maintains a comprehensive and sound system of management controls to ensure this AFR is complete and reliable. The Department conducted its assessment of the effectiveness of internal controls over reporting in accordance with OMB Circular A-123, Appendix A. Based on the results of this assessment and the results of the independent audit, I can provide reasonable assurance that the FY 2024 financial statements are complete and reliable.

Antony J. Blinken

Moreover, the reports on performance and additional financial information in the AFR should strengthen public confidence in the Department's management. The *Message from the Comptroller* in this AFR highlights progress made to improve financial management this past year and includes the results of the independent audit of our FY 2024 financial statements.

Antony J. Blinken
Secretary of State
November 15, 2024

Section I:

Management's Discussion and Analysis

About the Department

The U.S. Department of State is the lead U.S. foreign affairs agency within the Executive Branch and the lead institution for the conduct of American diplomacy. Established by Congress in 1789, the Department is the nation's oldest and most senior cabinet agency.

Our Mission

To protect and promote U.S. security, prosperity, and democratic values and shape an international environment in which all Americans can thrive.

Our History – Empowered by the Workforce

The Department is led by the Secretary of State, who is nominated by the President and confirmed by the U.S. Senate. The Secretary of State is the President's principal foreign policy advisor and a member of the President's Cabinet. The Secretary carries out the President's foreign policies through the State Department and its employees. In 1790, this meant conducting diplomacy at two diplomatic posts – legations in London and Paris – and consular operations at 15 posts scattered through the Caribbean, Europe, and China. Today, the Department maintains over 270 embassies and posts all around the world.

As the history of the Department unfolded, success has required more than strong leadership in Washington. An empowered workforce, leading from the field, has proven indispensable to safeguarding security, pursuing prosperity, promoting values, and protecting Americans. Of the many examples that stand out, these two illustrate how empowered diplomats can impact the lives of individuals as well as nations.

At perhaps our nation's hour of greatest peril during the Civil War, U.S. diplomats like Minister to the United Kingdom Charles Francis Adams Sr. engaged with foreign leaders to withhold recognition and support from the Confederacy. Because the Union's blockade of southern cotton shipments disrupted the supply chains vital to the United Kingdom's industrial revolution, Adams and other U.S. diplomats also worked to counter Confederate propaganda among British workers by linking their story to the fight for freedom in the United States. This combination of traditional and public diplomacy mattered – it helped convince the British Government not to intervene in the conflict.

Foreign Service Officer F. Allen "Tex" Harris's work to document stories of victims of Argentina's "Dirty War" during the late 1970s illustrated the powerful combination of bottom-up passion and top-down prioritization of human rights under former President Jimmy Carter. At a time of great debate about how the United States could effectively promote human rights using foreign policy, Harris leveraged the focus on human rights to elevate reporting from Buenos Aires that could otherwise have been dismissed as irrelevant or disregarded as inconvenient. Instead, Harris's reporting offered a measure of protection to victim's families and offered opportunities to hold the former Argentine regime accountable.

More information can be found on the Department's [Duties of the Secretary of State](#) website.

Through Secretary Blinken's Modernization Agenda, the Department is strengthening the foundations for extending this story into the future. "We need to put the State Department in the best possible position to confront the challenges facing our country, and we need to build, support, and protect the workforce that makes everything that we do possible."

Today, the Department of State and the United States Agency for International Development (USAID) work together to harmonize the administration and structure of assistance programs to ensure maximum impact and efficient use of taxpayer funds. Each agency is responsible for its own operations and produces a separate AFR.

Our Organization and People

The Department advances U.S. objectives and interests in the world through its primary role in developing and implementing the President's foreign policy worldwide. The Department also supports the foreign affairs activities of other U.S. Government entities including USAID. USAID is the U.S. Government agency responsible for most non-military foreign aid and it receives overall foreign policy guidance from the Secretary of State. The Department carries out its foreign affairs mission and values in a worldwide workplace, focusing its energies and resources wherever they are most needed to best serve the American people and the world.

The Department is headquartered in Washington, D.C. and has an extensive global presence, with more than 270 embassies, consulates, and other posts in over 180 countries. A two-page map of the Department's locations appears in *Appendix B*. The Department also operates several other types of offices, mostly located throughout the United States, including passport agencies and centers, foreign press centers, logistic support offices for overseas operations, security offices, financial service centers, and a reception center.

The Foreign Service officers and Civil Service employees in the Department and U.S. missions abroad represent the American people. They work together to achieve the goals and implement the initiatives of American foreign policy. The Foreign Service is dedicated to representing America and to responding to the needs of American citizens living and traveling around the world. They are also America's first line of defense in a complex and often dangerous world. The Department's Civil Service corps, most of whom are headquartered in Washington, D.C., is involved in virtually every policy and management area – from democracy and human rights, to narcotics control, trade, and environmental issues. Civil Service employees also serve as the domestic counterpart to Foreign Service consular officers who issue passports and assist U.S. citizens overseas.

Host country Foreign Service National (FSN) and other Locally Employed (LE) staff contribute to advancing the work of the Department overseas. Both FSNs and other LE staff contribute local expertise and provide continuity as they work with their American colleagues to perform vital services for U.S. citizens. At the close of 2024, the Department was comprised of over 80,200 employees.

The Department has a big impact on Americans' lives at home and abroad. We advance U.S. national security, promote our economic interests, create jobs, reach new allies, strengthen relationships with old ones, and reaffirm our country's role in the world. The Department's mission impacts American lives in multiple ways.

These impacts include:

1. **We support American citizens abroad.** We provide emergency assistance to U.S. citizens in countries experiencing natural disasters or civil unrest. We assist with intercountry adoptions and work on international parental child abductions. In 2023, there were 1,275 adoptions to the United States, and 24 adoptions from the United States to other countries. In calendar year 2023, there were 1,406 children reported abducted to and from the United States, including 747 children in outgoing abductions and 659 children in incoming abductions. Additionally, we assisted in the return of 205 children to the United States, and the return of 150 children to their last place of habitual residence overseas before their abductions to the United States.

2. **We create American jobs.** We directly support millions of U.S. jobs by promoting new and open markets for U.S. firms, protecting intellectual property, negotiating new U.S. airline routes worldwide, and helping American companies compete for foreign government and private contracts.

3. **We promote democracy and foster stability around the world.** Stable democracies are less likely to pose a threat to their neighbors or to the United States. We partner with the public and private sectors in countries in conflict to foster democracy and peace.

4. **We help to make the world a safer place.** Under the New Strategic Arms Reduction Treaty, we are reducing the number of deployed nuclear weapons to levels not seen since the 1950s. We have helped post-conflict countries clear millions of square meters of landmines and unexploded ordnance. We also work with foreign partners to strengthen international aviation and maritime safety and security.

5. **We save lives.** Strong bipartisan support for U.S. global health investments has led to worldwide progress against HIV/AIDS, tuberculosis, malaria, and polio. Better health abroad reduces the risk of instability and enhances our national security.

6. **We help countries feed themselves.** We help other countries plant the right seeds in the right way and get crops to markets to feed more people. Strong agricultural sectors lead to more stable countries.

7. **We help in times of crisis.** From natural disasters to famine to epidemics, our dedicated emergency professionals deliver assistance to those who need it most.

8. **We promote the rule of law and protect human dignity.** We help people in other countries find freedom and shape their own destinies. We advocate for the release of prisoners of conscience, prevent political activists from suffering abuse, train police officers to combat sex trafficking, and equip journalists to hold their governments accountable.

9. **We help Americans see the world.** The Department's Bureau of Consular Affairs (CA) supports and protects the American public. In 2024, we issued over 24 million passports and passport cards for Americans to travel abroad. We facilitate the lawful travel of international students, tourists, and business people to the United States, adding greatly to our economy. We provide information to help U.S. citizens assess risks of international travel and learn about steps to take to ensure their safety when traveling abroad.

10. **We are the face of America overseas.** Our diplomats, development experts, and the programs they implement are the source of American leadership around the world. They are the embodiments of our American values abroad and a force for good in the world.

The Secretary of State is supported by two Deputy Secretaries, the Executive Secretariat, the Counselor and Chief of Staff, six Under Secretaries, and over 50 functional and management bureaus and offices. The Deputy Secretary of State (D) serves as the principal deputy, adviser, and alter ego to the Secretary of State. The Deputy Secretary of State for Management and Resources (D-MR) serves as the Department's Chief Operating Officer. The Bureau of Cyberspace and Digital Policy supports D, and the Office of Foreign Assistance supports D-MR. The Under Secretaries have been established for Political Affairs; Economic Growth, Energy and Environment; Arms Control and International Security Affairs; Public Diplomacy and Public Affairs; Management; and Civilian Security, Democracy and Human Rights. The Under Secretary for Management (M) also serves as the CFO for the Department. The Comptroller has delegated authority for many of the activities and responsibilities mandated as CFO functions, including preparation of the AFR.

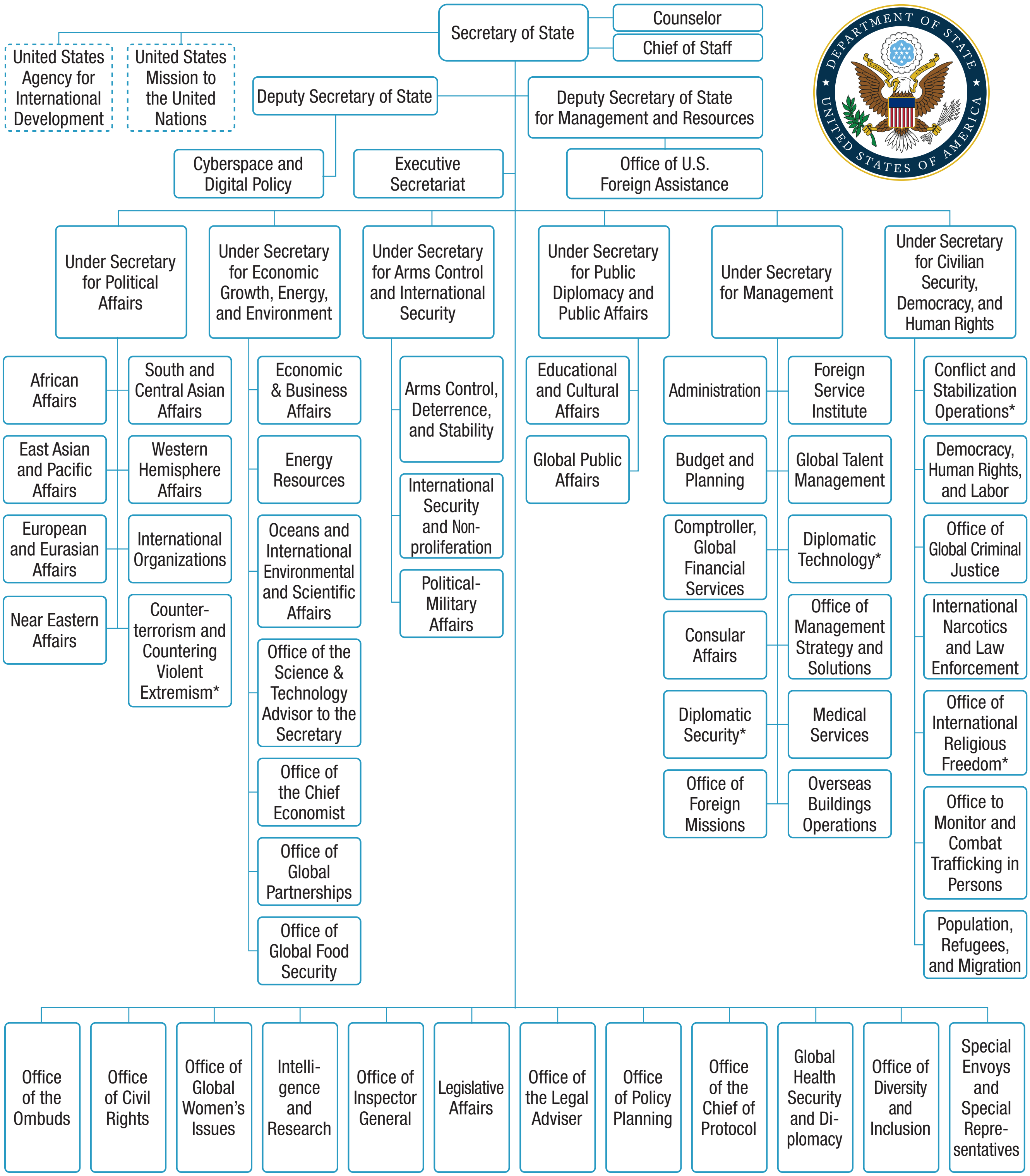
Six regional bureaus support the Department's political affairs mission, along with the Bureau of International Organizations. Each regional bureau is responsible for a specific geographic region of the world. These include:

- Bureau of African Affairs,
- Bureau of European and Eurasian Affairs,
- Bureau of East Asian and Pacific Affairs,
- Bureau of Near Eastern Affairs,
- Bureau of South and Central Asian Affairs, and
- Bureau of Western Hemisphere Affairs.

The Department's organization chart can be found on the Department of State's *Organization Chart* website.

Figure 4. U.S. Department of State Organization Chart

The following chart is accurate as of September 30, 2024.



The Bureau of Global Talent Management's Office of Organization and Talent Analytics manages the Department of State's Organization Chart.

*The head of these organizations report directly to the Secretary for certain purposes.

Accessible text version of the Organization Chart.

Our Work at Home and Overseas

At home, the passport process is often the primary contact most U.S. citizens have with the Department. There are 29 domestic passport agencies and centers, and approximately 7,525 public and 559 Federal and military passport acceptance facilities. The Department designates many post offices, clerks of court, public libraries and other state, county, township, and municipal government offices to accept passport applications on its behalf.

Overseas, in each Embassy, the Chief of Mission (COM) (usually an Ambassador) is responsible for executing U.S. foreign policy aims, as well as coordinating and managing all U.S. Government functions in the host country. The President appoints each COM, who is then confirmed by the Senate. The COM reports directly to the President through the Secretary of State. The U.S. Mission is also the primary U.S. Government point of contact for Americans overseas and foreign nationals of the host country. Missions serve the needs of Americans traveling, working, and studying abroad, and supports Presidential and Congressional delegations visiting the country.

Every diplomatic mission in the world operates under a security program designed and maintained by the Department's Bureau of Diplomatic Security (DS). In the United States, DS investigates passport and visa fraud, conducts personnel security investigations, and protects the Secretary of State and high-ranking foreign dignitaries and visiting officials.

Additionally, the Department utilizes a wide variety of technology tools to further enhance its effectiveness and magnify its efficiency. Today, most offices increasingly rely on digital video conferences, virtual presence posts, and websites to support their missions. The Department also leverages social networking web tools to engage in dialogue with a broader audience. See the inside back cover for *Websites of Interest*.

Customer Service

The Department is committed to making government work better for the American people, including making it easier and faster for Americans to receive their passports. We have reduced passport processing times from six to eight weeks to four to six weeks for routine applications, fully launched our Online Passport Renewal system, hired hundreds of passport adjudicators, improved website functionality, and announced our plans to bring passport services to six new cities across the United States. Throughout the challenges of the past several years, we have achieved record productivity, issuing a record 24.5 million passport books and cards in 2024 – the highest amount ever in our nation's history.

Number of Visa Crime Investigations Opened Globally

DS is the security and law enforcement arm of the Department. Visa crimes are international offenses that may start overseas but can threaten public safety inside the United States if offenders are not interdicted with aggressive and coordinated law enforcement action. DS agents and analysts observe, detect, identify, and neutralize networks that exploit international travel vulnerabilities. As shown in Figure 5, in 2024, 1,965 cases were open. In addition, 771 cases were closed and DS made 264 arrests.

Figure 5. Open Visa Crime Investigations (2020-2024)

Source: U.S. Department of State, Bureau of Diplomatic Security.

DS investigates a case involving visa fraud

On July 31, 2024, a U.S. District Judge from Maine ordered Coleen Holt-Thompson to pay $172,158 in restitution and sentenced her to three years Federal probation for conspiracy to commit visa fraud and Federal tax evasion stemming from a scheme to violate 18 U.S.C. 1546 by knowingly presenting, to both the Government of Ukraine and the U.S. Embassy in Kyiv, documents in support of nonimmigrant visas that contained false statements. To secure visitor visas for Ukrainian orphans, Holt-Thompson and her Ukrainian collaborators submitted fraudulent lists of unvetted host families to the Ukraine Ministry of Social Policy, bypassing a key check intended to prevent human trafficking. Holt-Thompson helped 124 children obtain visas through the scheme, profiting on average between $1,500 to $1,800 per child. Diplomatic Security Service's Portsmouth Resident Office and its Overseas Criminal Investigations Unit in Kyiv collaborated on the investigation.

More information on the case can be found on the Department of Justice *Press Releases* website.

FOCUS

Year of Accountability

Director General of the Foreign Service and Director of Global Talent, Marcia S. Bernicat, announced 2024 as the Bureau of Global Talent Management's (GTM) "Year of Accountability," to increase accountability awareness in everyday actions in the Department's workplace. As part of this initiative, Director General Bernicat invited all Department employees to nominate effective managers who balance workloads, support professional development, and empower optimal performance.

To strengthen accountability measures, GTM works closely with key bureaus and offices within the Department, including: the Office of the Ombuds, the Office of Diversity and Inclusion, the Office of Civil Rights, Diplomatic Security, the Office of Inspector General, among others. Resources such as the Foreign Service Institute's Leadership and Management Training, GTM's Manager Support Unit, and the Workplace Conflict Prevention and Resolution Center bolster each employee's ability to address workplace conflicts effectively. Director General Bernicat emphasized the need for enhancing mechanisms that foster a positive employee experience and called upon all employees to embrace a culture of accountability within the Department.

GTM will use the recently completed Mission Leadership and Management Survey, which asked about the effectiveness of overseas leadership, to provide bureaus and senior leaders with vital feedback to identify and address any concerning leadership and management issues at posts. And as always, GTM will continue to work with partner offices to provide additional resources, support, and training.

Director General Marcia S. Bernicat discusses the Focus on Accountability initiative during a video interview with State Magazine, January 10, 2024. *Department of State*

Strategic Goals and Government-wide Management Initiatives

Managing for Results: Planning, Budgeting, Managing, and Learning

The Department of State advances the Administration's policy priorities by strengthening program and project design, tracking key indicators, building evidence for decision making, and using strategic reviews to assess progress. The Managing for Results framework fosters enterprise-wide linkages between strategic planning, budgeting, managing, and learning. Bureaus and missions achieve more successful outcomes using evidence to inform policy, resource, and program decisions.

Managing for Results Framework

Joint State-USAID Strategic Goals

The Department develops and implements strategic plans at three organizational levels:

- **The State-USAID Joint Strategic Plan (JSP)** – a four-year Agency level strategic plan that outlines State and USAID's overarching goals and objectives for U.S. diplomacy and development, guides bureau and mission planning, and informs annual budget decisions.
- **Bureau Strategies**
  - » Joint Regional Strategies – the four-year strategic plan for each geographic region that sets joint State and USAID priorities and objectives at the bureau level.
  - » Functional Bureau Strategies – the four-year strategic plan that sets priorities for each State functional bureau and office, and guides bureau- and mission-level planning with key partners.
- **Integrated Country Strategies** – the four-year strategic plan for each overseas diplomatic mission that articulates policy priorities through a whole-of -government approach.

The 2022-2026 JSP contains five strategic goals (SG) and 19 strategic objectives that are displayed in *Figure 6*. The JSP guides annual performance reporting in the State-USAID performance plans and reports and provides a roadmap for the policies and strategic planning that inform the Joint Regional Strategies, Functional Bureau Strategies, and Integrated Country Strategies. Current *bureau and country strategies* are available to the public through the Department's website.

Figure 6. Joint Strategic Plan Framework

2022-2026 JOINT STRATEGIC PLAN FRAMEWORK

GOAL 1: Renew U.S. leadership and mobilize coalitions to address the global challenges that have the greatest impact on Americans' security and well-being.

- **Objective 1.1:** Strengthen global health security, combat infectious disease threats, and address priority global health challenges through bilateral engagement and within multilateral fora.
- **Objective 1.2:** Secure ambitious climate mitigation and adaptation outcomes, including supporting effective Paris Agreement implementation.
- **Objective 1.3:** Reinvigorate U.S. humanitarian leadership and provide lifesaving protection and assistance in response to international disasters and humanitarian crises overseas.
- **Objective 1.4:** Lead allies and partners to address shared challenges and competitors; prevent, deter, and resolve conflicts; and promote international security.
- **Objective 1.5:** Enhance foreign publics' understanding of and support for the values and policies of the United States.

GOAL 2: Promote global prosperity and shape an international environment in which the United States can thrive.

- **Objective 2.1:** Promote a global economy that creates opportunities for all Americans.
- **Objective 2.2:** Support inclusive and sustainable economic growth and opportunity for communities around the globe.
- **Objective 2.3:** Support U.S. technological leadership, strengthen competitiveness, and enhance and protect the U.S. innovation base while leveraging technology to improve lives around the world.
- **Objective 2.4:** Strengthen U.S. and global resilience to economic, technological, environmental, and other systemic shocks.

GOAL 3: Strengthen democratic institutions, uphold universal values, and promote human dignity.

- **Objective 3.1:** Promote good governance and defend strong, accountable, and resilient democracies that deliver for their citizens.
- **Objective 3.2:** Advance equity, accessibility, and rights for all.
- **Objective 3.3:** Prevent, expose, and reduce corruption.
- **Objective 3.4:** Promote a safe, humane, and orderly immigration and asylum system, address the root causes of irregular migration collaboratively with our partners, and enhance protections for refugees and displaced persons.
- **Objective 3.5:** Improve inclusive and equitable health, education, and livelihood services, especially for women, youth, and marginalized groups.

GOAL 4: Revitalize the diplomatic and development workforce and institutions.

- **Objective 4.1:** Build and equip a diverse, inclusive, resilient, and dynamic workforce.
- **Objective 4.2:** Modernize IT and leverage data to inform decision-making and support mission delivery.
- **Objective 4.3:** Protect our personnel, information, and physical infrastructure from 21st Century threats.

GOAL 5: Serve U.S. Citizens around the world and facilitate secure international travel.

- **Objective 5.1:** Support and serve American citizens traveling or residing abroad.
- **Objective 5.2:** Advance U.S. interests by facilitating legitimate travel to and from the United States.

The Secretary's Modernization Agenda and Our Strategic Goals

The Secretary of State's Modernization Agenda was announced on October 27, 2021, to position the Department to address emerging foreign policy challenges, by focusing on three main pillars: critical missions, workforce, and risk and innovation.

- The **Critical Missions** line of effort is focused on ensuring that the Department's structure and capabilities are fit for purpose to meet the challenges of diplomacy in the 21st Century, particularly in the areas of cyberspace and emerging technologies; climate, environment, and energy; global health diplomacy; strategic competition with the People's Republic of China; economic statecraft; and multilateral diplomacy.
- The **Workforce** line of effort will enable the Department to become a model workplace that attracts and retains top talent, across all hiring types, to include but not limited to: training in the critical mission areas; Civil Service mobility; Foreign Service promotion and reward systems; professional development opportunities; and establishing a diplomatic reserve corp.
- The **Risk and Innovation** line of effort will move our operational posture towards a culture of thoughtful risk management that enables agility and innovation in setting up platforms, systems, and processes to equip and enable our workforce to succeed, specifically but not limited to: AI pilots, employee engagement, knowledge management, and an embassy of the future platform.

Table 2 illustrates the three pillars alignment to the 2022-2026 JSP.

Table 2. Alignment of the Secretary's Modernization Agenda and the State-USAID Joint Strategic Plan

2022 – 2026 JSP Strategic Goals	Modernization Agenda Pillars		
	Critical Missions	Workforce	Risk and Innovation
SG1: Renew U.S. leadership and mobilize coalitions to address the global challenges that have the greatest impact on Americans' security and well-being.	✓	✓	
SG2: Promote global prosperity and shape an international environment in which the United States can thrive.	✓		
SG3: Strengthen democratic institutions, uphold universal values, and promote human dignity.	✓		
SG4: Revitalize the diplomatic and development workforce and institutions.	✓	✓	✓
SG5: Serve U.S. Citizens around the world and facilitate secure international travel.			✓

Performance Summary and Highlights

Performance Reporting

The Department of State reports annual progress and results toward achieving the strategic objectives and performance goals articulated in the JSP via the Annual Performance Plan/Annual Performance Report (APP/APR). The Department continually reviews performance progress against the JSP's strategic objectives in a variety of complementary settings, including Data Quality Assessments, Resource Strategy Reviews, the annual strategic review with OMB, and Agency Priority Goals. The Department leverages data and evidence from these reviews to continually improve planning, performance, evaluation, and budgeting processes. These cumulative reviews foster a culture of continuous learning and improvement.

The Department defines "major programs," as required in OMB Circular A-136, *Financial Reporting Requirements*, revised, as the Strategic Goals of the JSP (*Figure 6*). Financial information, such as the net costs of the Department's operations for the period by strategic goal, can be found in the *Consolidated Statements of Net Cost* and *Note 15* in the Financial Section of this report.

The Department of State uses the following methodology to determine whether a result met, exceeded, or did not meet the target:

Indicator Status Legend:

Met	Result is between 90%-100% of target (formula: result/target X 100)
Exceeded	Result is over 100% of target
Not Met	Result is below 90% of target
N/A	Data is not available at time of reporting

This performance summary and analysis by strategic goal reflects 2022 and 2023 results, and 2024 targets. Department of State and USAID 2024 performance results will be published in January 2025 on State.gov's *Plans Performance Budget* page, with the 2024 APR.

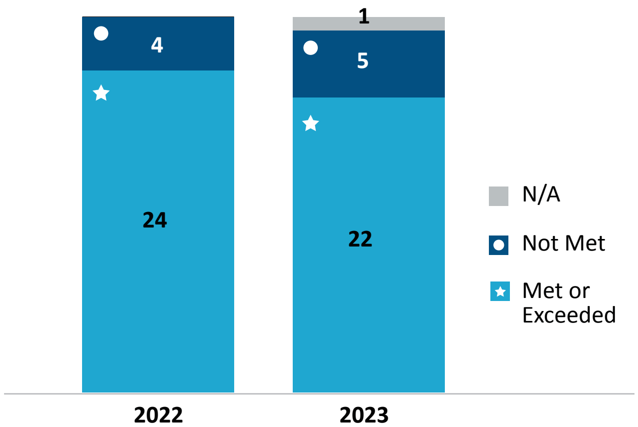
Major Programs

Strategic Goal 1: Renew U.S. leadership and mobilize coalitions to address the global challenges that have the greatest impact on Americans' security and well-being.

U.S. foreign policy delivers security for the American people, creates economic opportunities, and addresses global challenges that affect Americans' lives directly. From the climate crisis to unprecedented, forced migration and protracted humanitarian crises, some of the biggest challenges Americans face require collective global action, led by the United States working in concert with our partners and allies, and through international and multilateral institutions the United States helped build, shape, and lead.

The 2022 and 2023 performance results for Strategic Goal 1 are summarized in *Figure 7*. In 2023, the Department met or exceeded targets on 22 (61 percent) performance indicators and did not meet the target on 5 (14 percent) indicators. Data is not available for a retired indicator due to the conclusion of the COVID-19 pandemic.

Figure 7. Strategic Goal 1 – 2022 and 2023 Results



In 2023, the State Department and USAID collaborated to advance global health security and support health systems, marked by the launch of the Bureau of Global Health Security and Diplomacy (GHSD). GHSD led diplomatic efforts, expanding Global Health Security Intensive Support Partners from 25 to 48 countries, coordinated COVID-19 vaccine donations to 117 countries, and addressed multiple outbreaks in Africa. Additionally, State made strides in climate policy, humanitarian assistance, military aid, conflict prevention, and cybersecurity, including significant contributions to the 27th annual United Nations Climate Change Conference, providing $9.8 billion in humanitarian aid and leading international cyber resilience efforts. The Department also focused on enhancing public engagement and countering disinformation through strategic communication and interagency collaboration.

These key performance indicators in Strategic Goal 1 show progress on the number of U.S. engagements and bilateral and multilateral partnerships established to promote a stable cyberspace. The 2023 results reflect the Department's significant progress in developing meaningful relationships with, and maturing foreign partners' capacity to collaborate on, a shared framework for cyberspace and digital policy priorities.

Table 3. SG1: Renew U.S. leadership and mobilize coalitions to address the global challenges that have the greatest impact on Americans' security and well-being.

Key Performance Indicator	2022 Result	2023 Target	2023 Result	2024 Target
Number of countries, economies, and/or regional organizations with which the Department of State has new or sustained engagement on cyber issues which show demonstrable progress.	166	175	168	150
Number of enhanced diplomatic engagements facilitated by the Department of State on cyber issues.	279	290	506	300

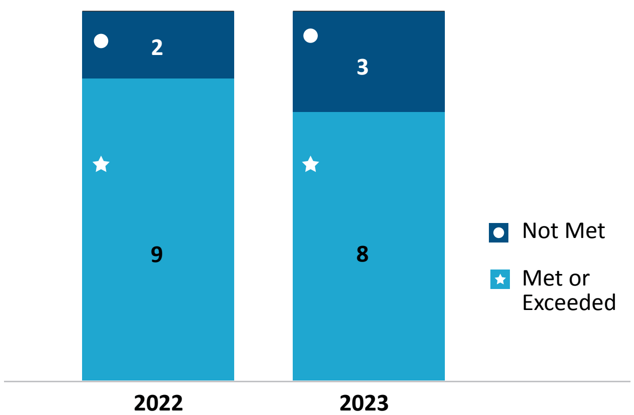
Strategic Goal 2: Promote global prosperity and shape an international environment in which the United States can thrive.

A strong U.S. middle class, resilient and equitable democracy, domestic competitiveness, and national security are mutually reinforcing. At the same time, the COVID-19 pandemic and its disruptions to economic systems, communities, and livelihoods across the globe have illustrated more clearly than ever that our domestic prosperity is intertwined with the success and stability of our partners abroad. Trends in inequality and stresses on middle-class livelihoods have emerged as defining challenges for democratic governments around the world. Together with our partners, the Department and USAID will promote inclusive, sustainable growth and build economic, environmental, and technology systems and infrastructure that are resilient to present and future shocks and challenges, delivering for all our citizens while improving lives overseas.

The 2022 and 2023 performance results for Strategic Goal 2 are summarized in Figure 8. In 2023, the Department met or exceeded targets on eight (73 percent) performance indicators and did not meet the target on three (27 percent) indicators.

In 2023, the Department of State and USAID advanced policies to build modern infrastructure, promote transparency, secure seaports, and ensure global competitiveness for American firms. They launched 15 new initiatives via the Fiscal Transparency Innovation Fund to enhance global macroeconomic stability and strengthened fiscal transparency requirements. Efforts included improving port operations, resisting coercive financing, and reviving Arctic Council projects. The Department promoted sustainable urban development, space diplomacy, and plastic pollution solutions. The Department also launched the Office of the Special Envoy for Critical and Emerging Technology, advanced AI initiatives, and strengthened cyber and digital policy.

Figure 8. Strategic Goal 2 – 2022 and 2023 Results



These key performance indicators in Strategic Goal 2 represent the Department's efforts in economic statecraft and multilateral diplomacy on the environment. The Fiscal Transparency Innovation Fund supported U.S. exports and economic policy priorities, with the World Trade Organization Committee on Technical Barriers to Trade reporting increased engagement from developing and least-developed country members. The results exceeded projections due to the resumption of more programs post-COVID and a revival in Arctic Council projects during Norway's chairmanship, leading to a slight increase in future projections.

Table 4. SG2: Promote global prosperity and shape an international environment in which the United States can thrive.

Key Performance Indicator	2022 Result	2023 Target	2023 Result	2024 Target
Number of notifications of new or changed Technical Barrier to Trade measures submitted to the World Trade Organization by Developing and Emerging Economies.	1,482	1,516	1,549	1,580
Number of laws, policies, or regulations that address environmental quality, biodiversity conservation, and/or other environmental themes that are implemented as a result of U.S. engagement and assistance.	271	275	331	355

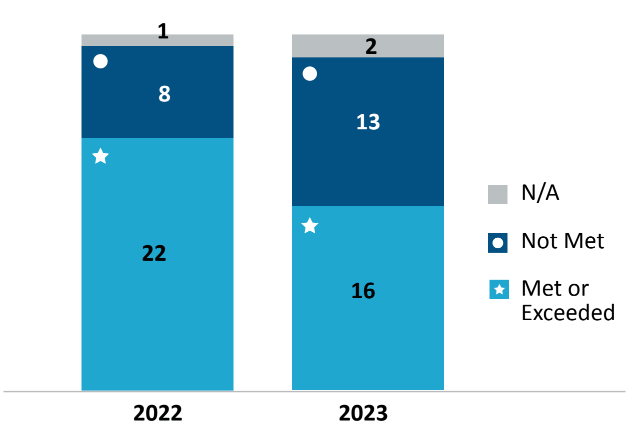
Strategic Goal 3: Strengthen democratic institutions, uphold universal values, and promote human dignity.

The Department and USAID have elevated the revitalization of democracy in the 21st Century as a top national security priority, committed to promoting and protecting democracy while helping democracies deliver for their citizens, elevate human rights, combat corruption, and humanely manage migration.

The 2022 and 2023 performance results for Strategic Goal 3 are summarized in Figure 9. In 2023, the Department met or exceeded targets on 16 (44 percent) performance indicators and did not meet targets on 13 (36 percent) indicators. Data is not available for retired indicators due to changes in methodology.

The Summit for Democracy in 2023 fostered bilateral and multilateral engagement and accountability among participating governments. Key achievements included Ecuador's National Anti-Corruption Strategy, financial support for media sustainability by France, Slovakia, and New Zealand, Angola's steps toward an independent judiciary, and Kosovo's establishment of a Presidential Council on Democracy and Human Rights. The United States, through the Community of Democracies, supported resilient democracies, addressed anti-democratic actions, and elevated youth participation. Under the Presidential Initiative for Democratic Renewal, the United States supported independent media, launched the Global Network for Securing Electoral Integrity, and advanced gender equality and inclusion. The Department promoted human rights, countered corruption, and enhanced refugee resettlement, while also addressing root causes of migration and improving education and health outcomes globally.

Figure 9. Strategic Goal 3 – 2022 and 2023 Results



This key performance indicator in Strategic Goal 3 tracks progress on the Department's refugee resettlement activities. In 2023, the Department prioritized modernizing the U.S. Refugee Admission Program to welcome more refugees, making significant progress in processing backlog cases and reducing processing times. While the Department did not reach the 125,000-refugee admissions target, it more than doubled admissions in the past year, marking the highest annual arrivals number since 2016. The Department is focused on rebuilding a sustainable program to admit 125,000 refugees in 2024, aiming for 10,500 arrivals per month.

Table 5. SG3: Strengthen democratic institutions, uphold universal values, and promote human dignity.

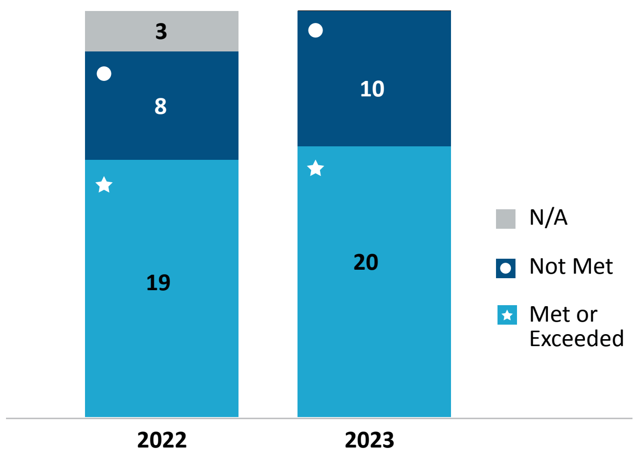
Key Performance Indicator	2022 Result	2023 Target	2023 Result	2024 Target
Percent of refugees admitted to the United States against the regional allocations established by the Presidential Determination.	20%	100%	48%	100%

Strategic Goal 4: Revitalize the diplomatic and development workforce and institutions.

The Department and USAID's diplomatic and development workforce and institutions play a vital role in promoting security and prosperity and contributing to an equitable, effective, and accountable government that delivers results for all Americans. The Department and USAID will continue to build, develop, and empower a cutting-edge global workforce that has the tools, training, technology, and infrastructure to succeed in a world that is increasingly crowded, competitive, and complex.

The 2022 and 2023 performance results for Strategic Goal 4 are summarized in Figure 10. In 2023, the Department met or exceeded targets for 20 (57 percent) performance indicators and did not meet targets for 10 (28 percent) indicators.

Figure 10. **Strategic Goal 4 – 2022 and 2023 Results**



In 2023, the Department institutionalized its first-ever Learning Policy to foster a culture of learning, including dedicated learning hours and a core curriculum for mid-career personnel. It secured direct-hire authority for key positions and addressed LE staff compensation concerns. The Department advanced data-informed diplomacy by onboarding data scientists and integrating data literacy training. Additionally, it improved its security posture through the deployment of Okta and SailPoint, enhancing user experience and meeting Federal authentication requirements. The DS and Bureau of Overseas Buildings Operations also made significant security and infrastructure enhancements.

This key performance indicator in Strategic Goal 4 measures employees' perceptions regarding their work experiences at the Department. The Department has met the 2023 target with a Federal Employee Viewpoint Survey-derived career satisfaction index score of 52, and remains committed to attracting, retaining, and supporting a talented workforce. The Department will build upon progress made in 2023 by fostering a mission-first, agile, inclusive workplace, institutionalizing a culture of accountability, and equipping employees with critical skills.

Table 6. SG4: Revitalize the diplomatic and development workforce and institutions.

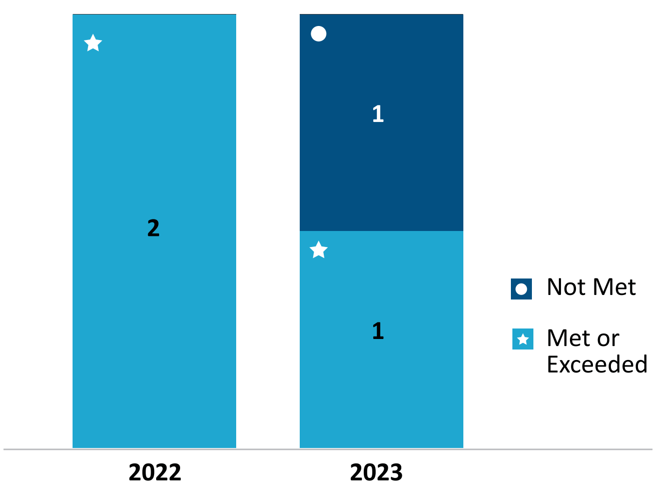
Key Performance Indicator	2022 Result	2023 Target	2023 Result	2024 Target
Federal Employee Viewpoint Survey-derived Career Satisfaction Index Score	50	53	50	52

Strategic Goal 5: Serve U.S. Citizens around the world and facilitate secure international travel.

The State Department's highest priority is to protect the lives and serve the interests of U.S. citizens overseas. The Department of State supports U.S. citizens in many ways, including by facilitating international travel, providing passport and visa services, enabling international adoptions and family reunification through immigration, documenting American citizens' citizenship overseas and providing special citizen services when needed.

The 2022 and 2023 performance results for Strategic Goal 5 are summarized in Figure 11. In 2023, the Department exceeded the target of 90 percent for one performance indicator that measures the roll-out of *Pay.gov's DS-82*, a function that allows payment via internet, for adult renewal passport applications overseas. The Department did not meet the target of 99 percent on one indicator that measures passport application processing times.

Figure 11. Strategic Goal 5 – 2022 and 2023 Results



In 2023, the Bureau of Consular Affairs (CA) expanded the availability of an online payment option for U.S. citizen adult passport renewal applicants from 67 to 163 countries, streamlining the process and allowing consular managers to allocate resources more efficiently. Despite delays in processing passport applications due to staff relocating to support work on the Department's task forces, CA also revised and updated the *Travel.State.Gov* website and advanced international information-sharing efforts that enhanced connectivity to criminal and terrorist databases.

These key performance indicators in Strategic Goal 5 represent the Department's efforts serving U.S. citizens around the world. In 2023, CA received an unprecedented amount of passport applications, surpassing adjudicative capacity. With aggressive recruitment and efforts to boost passport application processing, the Department processed a record 21.6 million applications by the end of December 2023. Additionally, the Department's overseas Pay.gov program was fully implemented ahead of schedule and exceeded the 2023 target due to data automation, expertise sharing, and the program's timely strategic redesign.

Table 7. SG5: Serve U.S. Citizens around the world and facilitate secure international travel.

Key Performance Indicator	2022 Result	2023 Target	2023 Result	2024 Target
Percent of passports processed under 11 weeks for routine and 6 weeks for expedited service.	Routine: 95.37% Expedited: 99.08%	Routine: 99% Expedited: 99%	Routine: 89.78% Expedited: 86.55%	Routine: 99% Expedited: 99%
Percent of overseas missions that participate in Pay.gov DS-82 program.	87%	90%	100%	100%

Agency Priority Goals

Agency Priority Goals (APG) are a performance accountability component of the GPRA Modernization Act of 2010. They serve to focus leadership priorities, set outcomes, and measure results, especially where agencies need to drive significant progress and change. APGs are intended to demonstrate progress on near-term outcomes or achievements the agency seeks to accomplish within 24 months. State's 2024-2025 APGs are:

- ***HIV/AIDS (Joint State-USAID):*** By September 30, 2025, the U.S. President's Emergency Plan for AIDS Relief (PEPFAR), will (1) ensure that the nine PEPFAR-supported countries that have already achieved 86 percent of population viral load suppression sustain that progress, and (2) support nine additional countries to achieve 86 percent of population viral load suppression, to reach the *2025 Joint United Nations Programme on HIV/AIDS 95-95-95 targets*.
- ***Climate Change (Joint State-USAID):*** By September 30, 2025, the U.S. Government is actively implementing a climate engagement strategy in 60 countries, contributing to the achievement of 30 outcomes that reflect significant new progress toward keeping a 1.5°C future within reach and/or strengthened resilience to climate impacts in line with President's Emergency Plan for Adaptation and Resilience, providing diplomatic support to 20 countries developing and submitting updated and more ambitious Nationally Determined Contributions in accordance with the Paris Agreement, and providing diplomatic support to 20 countries enhancing their institutional frameworks and capacity to deliver timely, high-quality National Inventory Reports and Biennial Transparency Reports.
- ***Diversity, Equity, Inclusion, and Accessibility (State):*** By September 30, 2025, the Diversity, Equity, Inclusion, and Accessibility (DEIA) Data Working Group will: conduct at least four additional data or barrier analyses at the enterprise-wide level; identify and train bureau-level DEIA data points of contact to champion data-informed decision making at the bureau-level; and develop policies and procedures that facilitate the ability of bureaus to mitigate or eliminate barriers to equal opportunity using data.
- ***Equity Across Foreign Affairs Work (State):*** By September 30, 2025, the Department further institutionalizes equity in its foreign policies, programs, and processes by amplifying equity leadership and strengthening equity-specific capacity and implementation in diplomatic engagement, foreign policies, foreign assistance reporting, budgeting, and related processes.
- ***Data Informed Diplomacy (State):*** By September 30, 2025, in alignment with its Enterprise Data and AI strategies, the Department will double in-person training hours and the number of domestic data experts; increase data capacity at Post by training Chiefs of Missions and Deputy Chiefs of Mission; stand up a dozen Post Data Programs; double adoption of enterprise analytics infrastructure; increase workload efficiencies through use of AI and AI pilots; publish the Department's first AI strategy, and modernize data governance.
- ***Cybersecurity (State):*** By September 30, 2025, the Department will achieve at least 90 percent compliance for Federal Information Security Modernization Act (FISMA) systems requiring annual penetration testing; 90 percent compliance for annual FISMA system contingency plan testing; and ensure at least 90 percent of all Department FISMA systems maintain a current Authorization to Operate.

The latest reporting on 2024-2025 APGs can be found on the *Performance.gov* website.

Program and Project Design, Monitoring, and Evaluation Policy

The Department is committed to using data and evidence to ensure we are using best practices in program and project design, monitoring, evaluation, and data analysis to achieve the most effective U.S. foreign policy outcomes for, and greater accountability to, the American people.

In response to requirements contained in the Foreign Aid Transparency and Accountability Act, the Foundations for Evidence-Based Policymaking Act, and the Program Management Improvement and Accountability Act, the Department updated its evaluation policy to encompass the full spectrum of performance management and evaluation activities including program design, monitoring, evaluation, analysis, and learning. The Department established guidance for implementing the updated policy, and bureaus continue to make progress on reviewing the program and project design documents for their major lines of effort. Bureaus responded to this updated and expanded policy by putting in place performance management documents and practices, including the use of logic models, theories of change, performance metrics, monitoring structures, and other foundational components. This work will contribute to bureaus' ability to track and report on progress toward bureau goals.

Maximizing America's Investment Through Analysis and Evidence

Evidence and Evaluation

The Department's Program and Project Design, Monitoring and Evaluation Policy establishes performance management practices and requirements to ensure Department-funded programs and activities achieve their intended objectives. Guided by the policy, the Department supports the analysis and use of evidence in policymaking by training staff, creating groups for knowledge sharing, establishing and monitoring evaluation requirements, and maintaining a central database to manage and share evaluations. The Department continues efforts to strengthen the use of data and evidence to drive better decision making, achieve greater impacts, and more effectively and efficiently achieve U.S. foreign policy objectives.

One of the efforts includes an annual internal review of the Department's strategies and resources. The Department introduced a senior-level strategy and resource review process in 2019 to inform development of the annual budget request and assess overall strategic progress and direction. Resource strategy reviews use data and evidence to highlight the relationship between strategic priorities, performance, and resource allocations. The Department continues to refine the process to enable senior leadership to better assess progress on our core strategies and how the allocation of resources advances the Administration's foreign policy and assistance priorities.

Building a Learning and Data-Centric Culture: Evidence Act Implementation

With passage of the Foundations for Evidence-Based Policymaking Act (Evidence Act; Public Law No. 115- 435) in 2018, the Department engaged with leadership, performance, and evaluation professionals across the Department and external stakeholders to implement this groundbreaking legislation to advance evidence-building in the Federal Government by improving access to data and expanding research and evaluation capacity. As required of CFO Act agencies, and in support of Title I of the Evidence Act, the *Department's 2022-2026 Learning Agenda* contains a set of policy-relevant questions critical to achieving the agency's foreign policy objectives. In 2023, the Department created the State Evidence and Learning Partnership to structure collaborative research via private/public partnerships, addressing these important questions outlined in the Department's Learning Agenda. In 2024, the partnerships continue to expand and deepen.

Also, in support of Title I, the Department published the Capacity Assessment in 2022 that analyzed the Department's capacity to generate and apply evidence through performance monitoring, evaluation, and research and analysis. The Department's Annual Evaluation Plan highlights significant evaluations that the Department plans to implement in the coming fiscal year. Together with the Learning Agenda, these three documents catalogue plans for research relevant to the Department's mission and assess the Department's ability to carry out evidence-building activities. All documents are available on the *Evaluation.gov* website. Both the Department's Learning Agenda and the Capacity Assessment are annexes to the Joint Strategic Plan (JSP) shared by State and USAID. As the 2022-2026 JSP will be replaced by the 2026-2030 JSP, the Department will develop a new Learning Agenda and Capacity Assessment to be published alongside the new JSP in early 2026. The Department's Performance Improvement Officer, Director of Foreign Assistance, Chief Data Officer, Statistical Official, and co-Evaluation Officers collaborate on Evidence Act implementation activities through frequent consultations and progress reviews.

In addition to accomplishments aligned to Title I of the Evidence Act, the Department has made significant strides in executing against Titles II and III of the Evidence Act. As an active member of the Interagency Council on Statistical Policy and the Federal Chief Data Officer Council, the Department has continued to improve its data practices and quality in line with Federal mandates, its interagency peers, and the needs of its mission. As the Department builds a culture of data-informed diplomacy, it has created opportunities to make data assets more accessible across the agency, increased data literacy at all levels within the existing workforce and recruited high-end data talent through multiple hiring mechanisms. In addition to a suite of data science and data literacy training courses offered by the Foreign Service Institute (FSI), the Department incorporated data literacy training into three Foreign Service Officer tradecraft courses and the Ambassador and Deputy Chief of Mission training courses.

The Department's Office of Management Strategy and Solutions (M/SS) piloted an online, self-study data science learning platform to increase data literacy for its bureau employees and other data leaders within the Department, creating a custom baseline data literacy track. Coursework included topics such as introduction to data literacy, data-driven decision making for business, and data visualization. Over half of participants completed coursework, logging over 90,000 training hours. Additionally, the Department hosted a variety of data training events and bureau collaborations (such as office hours, tech talks, lunch and learns, and data days), ultimately reaching over 15,000 employees.

The Center for Analytics (CfA) partnered with the Bureau for Global Talent Management (GTM) to grow a data-centric workforce. Through this collaboration, the Department onboarded its first cohort of four Bureau Chief Data Officers (BCDOs) in 2023 to elevate data management and analytics in bureaus where leveraging data is needed to meet the mission. The Department onboarded a second cohort of 10 BCDOs in 2024. The BCDO program aims to promote and expand the data work already underway in bureaus across the Department and to achieve substantial progress toward the future state of data-informed diplomacy envisioned by the Enterprise Data Strategy. Additionally, CfA and the Enterprise Data Council sponsored the second annual Data for Diplomacy awards, receiving 90 nominations from around the world and awarding five winners who demonstrated significant creativity and success in making data and data analytics accessible, interoperable, and actionable for their bureau, office, post, or across the enterprise.

FOCUS

100 Year Anniversary of the Rogers Act

Director General of the Foreign Service and Director of Global Talent Marcia S. Bernicat raises a glass to toast the next 100 years during the Centennial Gala, May 21, 2024. *Department of State*

On May 24, 1924, the Rogers Act, which established a professional U.S. Foreign Service, was signed into law. The Rogers Act created the Foreign Service as we know it today. The 100th anniversary of the Rogers Act marks a pivotal moment in history that modernized U.S. diplomacy by establishing a merit-based personnel system fostering a service ethos, expertise, and creativity in the conduct of foreign affairs.

More than 200 members of the Foreign Service from numerous agencies, retirees, and esteemed guests came together to celebrate the centennial of the Rogers Act, May 21, 2024, at the American Foreign Service Association's Centennial Gala.

Secretary Blinken began the commemoration by reminiscing on his early days in the Department 30 years ago and expressed gratitude to those in attendance. He noted how the Department's Foreign Service had grown from 633 Foreign Service members in 1924 to almost 14,000 (in the Department alone) in 2024. "We've also transformed ourselves in the process – where we work, what we work on, how we work on it," observed Secretary Blinken. "But the core mission that's animated the service has endured – helping our policymakers understand the world and helping the world understand the United States a little better and drawing on every possible tool to help make the American people a little bit more secure, a little bit more prosperous, a little bit healthier, and with a little bit greater access to opportunity."

"We are a family who are working to change things for the better for the world," said Director General Marcia S. Bernicat in reference to the multiple Foreign Service agencies represented in the room. "Please join me in a toast for the next 100 years. May we be agile, modernized, and ever successful."

Financial Summary and Highlights

The financial summary and highlights provide an integrated overview of the 2024 financial statements of the Department. An independent auditor, Kearney & Company, audited the Department's Consolidated Balance Sheets for the fiscal years ending September 30, 2024 and 2023, along with the Consolidated Statements of Net Cost and Changes in Net Position, and the Combined Statements of Budgetary Resources[1]. The Department received an unmodified ("clean") audit opinion on its 2024 and 2023 financial statements. A clean opinion provides reasonable assurance that the financial statements were fairly presented, in all material respects, in accordance with U.S. generally accepted accounting principles (GAAP). A summary of key financial measures is provided in Table 8. The complete financial statements, including the independent auditor's reports, notes, and Required Supplementary Information, are presented in *Section II: Financial Section*.

Table 8. Summary of Key Financial Measures (*dollars in billions*)

Summary Consolidated Balance Sheets Data	2024	2023	Change	% Change
Fund Balance with Treasury	$ 67.9	$ 68.4	$ (0.5)	(1)%
Investments, Net	22.2	21.6	0.6	3%
General Property and Equipment, Net	33.7	30.1	3.6	12%
Cash, Advances, Receivables, and Other Assets	3.4	2.3	1.1	48%
Total Assets	**$ 127.2**	**$ 122.4**	**$ 4.8**	**4%**
Accounts Payable	$ 2.5	$ 2.7	$ (0.2)	(7)%
Federal Employee Salary, Leave, and Benefits Payable & Pension and Post-Employment Benefits Payable	37.4	36.1	1.3	4%
International Organizations Liability	3.6	3.5	0.1	3%
Lease Liability	2.9	—	2.9	—
Other Liabilities	1.7	1.3	0.4	31%
Total Liabilities	**$ 48.1**	**$ 43.6**	**$ 4.5**	**10%**
Unexpended Appropriations	$ 48.3	$ 49.7	$ (1.4)	(3)%
Cumulative Results of Operations	30.8	29.1	1.7	6%
Total Net Position	**$ 79.1**	**$ 78.8**	**$ 0.3**	**—**
Total Liabilities and Net Position	**$ 127.2**	**$ 122.4**	**$ 4.8**	**4%**
Summary Consolidated Statements of Net Cost Data				
Total Gross Costs	$ 47.8	$ 45.5	$ 2.3	5%
Total Earned Revenue	10.3	10.0	0.3	3%
Total Net Cost of Operations	**$ 37.5**	**$ 35.5**	**$ 2.0**	**6%**
Summary Combined Statements of Budgetary Resources Data				
Unobligated Balance from Prior Year Budget Authority, Net	$ 34.6	$ 34.1	$ 0.5	1%
Appropriations	43.8	42.2	1.6	4%
Spending Authority from Offsetting Collections	8.8	8.2	0.6	7%
Total Budgetary Resources	**$ 87.2**	**$ 84.5**	**$ 2.7**	**3%**

[1] Hereafter, in this section, the principal financial statements are referred to as: Balance Sheets, Statements of Net Cost, Statements of Changes in Net Position, and Combined Statements of Budgetary Resources.

The Department prepared its financial statements pursuant to the Chief Financial Officers (CFO) Act of 1990, and the Government Management Reform Act of 1994, and are presented in accordance with OMB Circular A-136, *Financial Reporting Requirements*, revised. The Department prepared its statements from its books and records in conformity with GAAP which, for Federal entities, are the standards set by the Federal Accounting Standards Advisory Board (FASAB).

To help readers understand the Department's principal financial statements, this section is organized as follows:

- Balance Sheets: Overview of Financial Position,
- Statements of Net Cost: Yearly Results of Operations,
- Statements of Changes in Net Position: Cumulative Overview,
- Combined Statements of Budgetary Resources, and
- Limitations of the Financial Statements.

Balance Sheets: Overview of Financial Position

The Balance Sheets provide a snapshot of the Department's financial position. They display the amounts of current and future economic benefits owned or managed by the reporting entity (Assets), amounts owed (Liabilities), and amounts comprising the difference (Net Position) at the end of the fiscal year.

Assets. As of September 30, 2024, the Department's total assets were $127.2 billion, an increase of $4.8 billion (4 percent) over the 2023 total. The change was primarily due to the $3.6 billion (12 percent) increase in General Property and Equipment, Net. This change can be primarily attributed to the capitalization of $2.9 billion in Right-to-Use Assets pursuant to the implementation of SFFAS No. 54, *Leases*.

Figure 12. Assets by Type 2024 *(dollars in billions)*

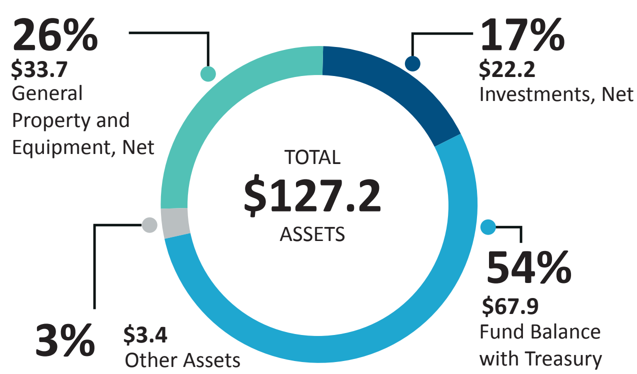


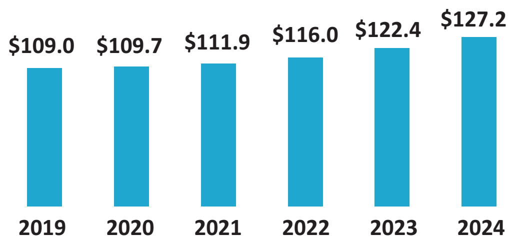
Figure 12 summarizes the total assets as of September 30, 2024. At $67.9 billion (54 percent), the Fund Balance with Treasury (FBWT) represented the Department's largest single asset. It consisted of Treasury funding from which the Department is authorized to make expenditures and pay liabilities. The next largest asset, General Property and Equipment, Net, had a balance of $33.7 billion at year-end. In addition to the capitalization of Right-to-Use assets, new buildings, structures, and improvements accounted for this increase, with the top 10 new embassy compound and capital security projects accounting for $771 million of the change, as detailed in Table 9. The next largest category, Investments, Net, had a balance of $22.2 billion. The investments are composed of several accounts, principally special issue securities used exclusively by the Foreign Service Retirement and Disability Fund (FSRDF), plus Funds from Dedicated Collections. These three asset classes combine to account for 97 percent of the Department's total assets.

Table 9. Real Property Projects – 2024 Capitalized Activity *(dollars in millions)*

Project Name	Geographical Region	Amount
Riyadh, Saudi Arabia	Near East	$ 116
Beirut, Lebanon	Near East	99
Bangkok, Thailand	East Asia and the Pacific	80
Capital Security Construction in Doha, Qatar	Near East	79
Lilongwe, Malawi	Sub-Saharan Africa	77
Juba, South Sudan	Sub-Saharan Africa	76
New Delhi, India	South and Central Asia	69
Erbil, Iraq	Near East	64
Lagos, Nigeria	Sub-Saharan Africa	58
Mexico City, Mexico	Western Hemisphere	53
TOTAL		**$ 771**

The six-year trend in the Department's total assets is presented in Figure 13. Since 2019, the total assets have increased by $18.2 billion, or 17 percent. This increase was principally the result of a $8.1 billion (32 percent) increase in General Property and Equipment, Net and a $6.8 billion (11 percent) increase in FBWT.

Figure 13. Trend in Total Assets (2019-2024) *(dollars in billions)*

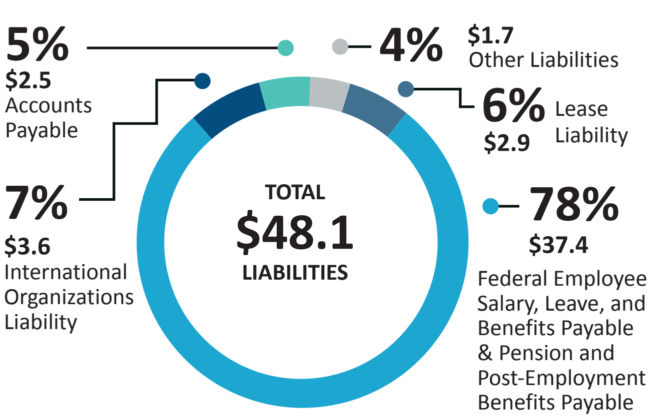


The Department maintains an important collection of heritage assets. Many, including art, historic American furnishings, rare books and cultural objects, are not reflected as assets on the Department's Balance Sheets[2]. Federal accounting standards attempt to match costs to accomplishments in operating performance and have deemed that the allocation of historical cost through depreciation of a national treasure or other priceless item intended to be preserved forever as part of our American heritage would not contribute to performance cost measurement. Thus, the acquisition cost of heritage assets is expensed, not capitalized. The maintenance costs of these heritage assets are expensed as incurred, since it is part of the Government's role to maintain them in good condition. All embassies and other properties on the Secretary of State's Register of Culturally Significant Property, however, do appear as assets on the Balance Sheets, since they are used in the day-to-day operations of the Department.

Liabilities. The Department's total liabilities were $48.1 billion as of September 30, 2024, an increase of $4.5 billion (10 percent) between 2023 and 2024. The SFFAS No. 54 implementation resulted in the inclusion of a $2.9 billion Lease Liability in 2024. This liability, combined with the $1.4 billion (4 percent) increase from 2023 in the Federal Employee Salary, Leave, and Benefits Payable and the Pension and Post-Employment Benefits Payable, accounts for most of the increase in total liabilities. This increase from the prior year related to higher actuarial liabilities for the pension and retirement plans administered by the Department, which reviews and adjusts this liability annually.

Figure 14 summarizes the total liabilities as of September 30, 2024. The Department's largest component of total liabilities was Federal Employee Salary, Leave, and Benefits Payable and the Pension and Post-Employment Benefits Payable ($37.4 billion, or 78 percent

Figure 14. Liabilities by Type 2024 *(dollars in billions)*

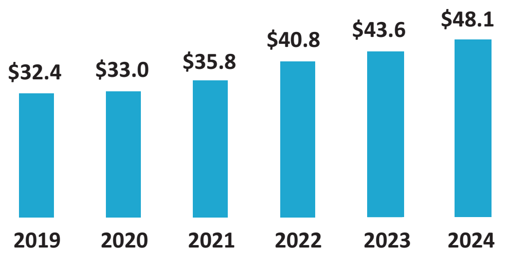


[2] Federal entities are required to disclose major heritage asset categories and physical unit information at the end of the fiscal year — including their condition, number of units added or withdrawn during the year and methods of acquisition or withdrawal. For further detail, see the Notes to the Principal Financial Statements (Note 6).

of the total). This was followed by the liabilities for international organizations ($3.6 billion, 7 percent), and for leases ($2.9 billion, 6 percent).

The six-year trend in the Department's total liabilities is presented in Figure 15. Since 2019, the Department's total liabilities have increased by $15.7 billion, or 48 percent. This change was primarily driven by the increase of $13.3 billion in the Federal Employee Salary, Leave, and Benefits Payable and the Pension and Post-Employment Benefits Payable. The Pension and Post-Employment Benefits Payable is reviewed by the Department's actuary and adjusted annually for changes in estimated pension expenses. The increase to the pension liability over this period reflects changes in the actuarial and economic assumptions such as current pay, employee work location (domestic or overseas), cost of living factors, Federal pay raises, assumed rate of return, and others. Since the economic and demographic experience may change, it is essential to conduct periodic reviews and adjust the assumptions in the valuations, as appropriate. The Department's actuary completes an Actuarial Experience Study approximately every five years to ensure the assumptions reflect the most recent experience and future expectations.

Figure 15. Trend in Total Liabilities (2019-2024) ***(dollars in billions)***

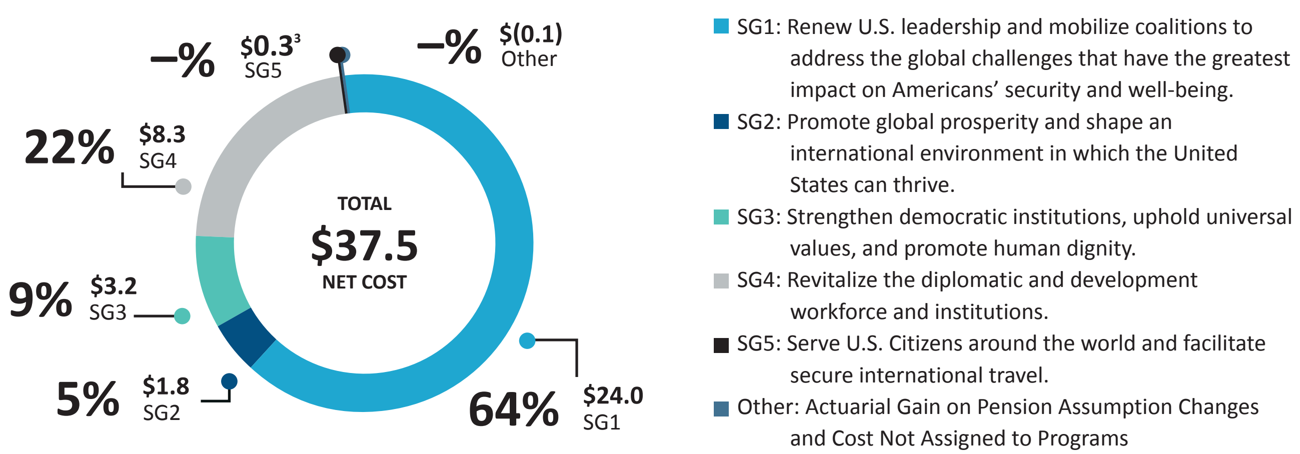


Ending Net Position. The Department's Net Position, comprised of Unexpended Appropriations and the Cumulative Results of Operations, increased $0.3 billion (0 percent) between 2023 and 2024. Since the prior fiscal year, Unexpended Appropriations decreased by $1.4 billion, and the Cumulative Results of Operations increased by $1.7 billion. For more detail, see *Statements of Changes in Net Position: Cumulative Overview*.

Statements of Net Cost: Yearly Results of Operations

The Statements of Net Cost present the Department's net cost of operations by strategic goal (SG). Net cost is the total program costs incurred less any earned revenues attributed to and permitted to be offset against those costs. The presentation of program results is based on the Department's major goals established pursuant to the Government Performance and Results Act (GPRA) of 1993, as updated by the GPRA Modernization Act of 2010. The total net cost of operations in 2024 totaled $37.5 billion, an increase of $2.0 billion (6 percent) from 2023.

Figure 16. Net Cost of Operations by Strategic Goal 2024 ***(dollars in billions)***



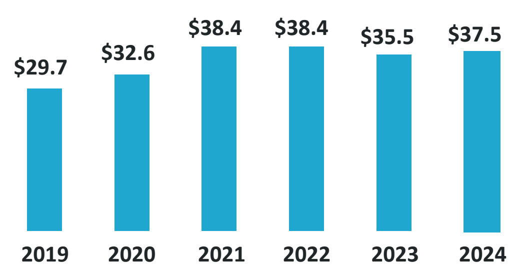
[3] See the *Department's Congressional Budget Justification, Appendix 1*, for the planned overall alignment of a fiscal year's resources.

Figure 16 long description.

Figure 16 illustrates the results of operations by strategic goal. As discussed in *Performance Summary and Highlights*, the Department and USAID released the 2022-2026 JSP in March 2022 and established five new strategic goals. As shown, net costs associated with two strategic goals (Strategic Goal 1: Renew U.S. leadership and mobilize coalitions to address the global challenges that have the greatest impact on Americans' security and well-being and Strategic Goal 4: Revitalize the diplomatic and development workforce and institutions) represented the largest share of the Department's net costs in 2024 – a combined $32.3 billion (86 percent).

The largest increase in net costs aligned with Strategic Goal 1, increasing from $21.5 billion in 2023 to $24.0 billion in 2024 (a $2.5 billion, 12 percent increase). This change resulted principally from an increase in emergency supplemental funds and greater U.S. Emergency Refugee and Migration Assistance program costs. This program enables the President to address unexpected urgent refugee and migration needs worldwide. Other increases related to USAID child-reported amounts under the allocation transfer account for global health programs. These included costs for the prevention, treatment, control of, and research on HIV/AIDS, tuberculosis, polio, malaria, and other infectious diseases. The largest decrease in net costs from the prior year aligned with Strategic Goal 4, declining from $9.1 billion in 2023 to $8.3 billion in 2024 (9 percent). Most of the $0.8 billion decrease was due to lower FSRDF costs, chiefly due to changes in long-term actuarial assumptions, including those related to inflation, cost of living, and interest rates.

Figure 17. Trend in Net Cost of Operations (2019-2024) ***(dollars in billions)***



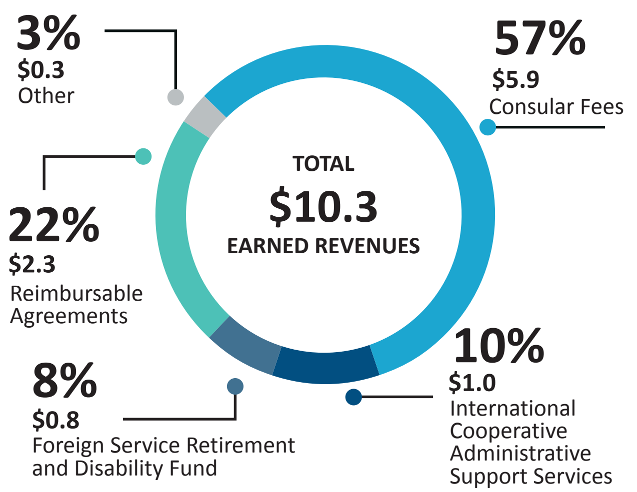
The six-year trend in the Department's net cost of operations is presented in Figure 17. There was an increase from 2019 to 2024 of $7.8 billion (26 percent). Increases over this period generally reflect costs associated with new program areas related to countering national security threats, sustaining stable states, and modernizing diplomacy by investing in America's diplomatic corps and building capacity and expertise in critical mission areas, as well as the higher cost of day-to-day operations associated with global inflation and an expanded global presence.

Earned Revenues

Earned revenues occur when the Department provides goods or services to another Federal entity or the public. The Department reports earned revenues regardless of whether it is permitted to retain the revenue or remit it to Treasury. Revenue from other Federal agencies must be established and billed based on actual costs, without profit. Revenue from the public, in the form of fees for service (e.g., visa issuance), is also without profit. Consular fees are established on a cost-recovery basis and determined by periodic cost studies. Certain fees, such as the machine-readable Border Crossing Cards, are determined statutorily. Revenue from reimbursable agreements is received to perform services overseas for other Federal agencies. The FSRDF receives revenue from employee/employer contributions, a U.S. Government contribution, and investment interest. Other revenues come from ICASS billings and Working Capital Fund earnings.

Earned revenues totaled $10.3 billion in 2024 and are depicted in *Figure 18*. Overall, revenue increased by $0.3 billion (3 percent), on a comparative basis, from 2023. This increase was primarily a result of an increase in consular fees revenue due to an increase in travel and the easing of COVID-19 pandemic-related travel restrictions. The Department's primary sources of revenue in

Figure 18. Earned Revenues by Program Source 2024
(dollars in billions)



2024 were from consular fees ($5.9 billion or 57 percent), reimbursable agreements $2.3 billion or 22 percent), and ICASS earnings ($1.0 billion or 10 percent). These programs combined for $9.2 billion, or 89 percent, of the total earned revenue.

Statements of Changes in Net Position: Cumulative Overview

The Statements of Changes in Net Position identify all financing sources available to, or used by, the Department to support its net cost of operations and the net change in its financial position. The financing sources include appropriations received, imputed financing, and others. The sum of two main components, Unexpended Appropriations and Cumulative Results of Operations, equals the Net Position at year-end. Each component is displayed to facilitate a more detailed understanding of the changes to the net position. In addition, on these Statements, the net position of funds from dedicated collections is presented separately from all other funds.

The Department's Net Position at the end of 2024, shown on both the Balance Sheets and the Statements of Changes in Net Position, was $79.1 billion, a $0.3 billion increase from the prior fiscal year. This change resulted from a $1.4 billion (3 percent) decrease in Unexpended Appropriations combined with a $1.7 billion (6 percent) increase in the Cumulative Results of Operations.

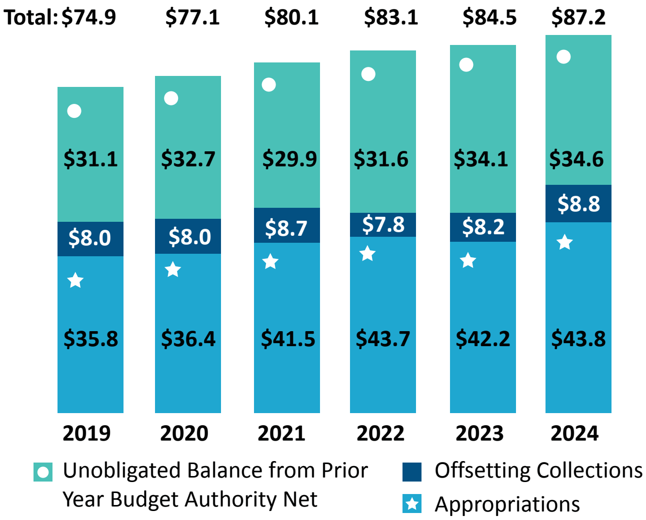
Combined Statements of Budgetary Resources

The Combined Statements of Budgetary Resources detail how the Department obtained its budgetary resources and the status of these resources at the fiscal year-end. The Department's $87.2 billion in 2024 budgetary resources consist primarily of appropriations designated by Congress for the Department's mission ($43.8 billion, 50 percent), including the operation of U.S. embassies, funding for U.S. diplomatic activities, cultural exchanges, international development, security, humanitarian assistance, and participation in multilateral organizations, among other international activities. Additional budgetary resources included spending authority from offsetting collections ($8.8 billion, 10 percent) — primarily comprised of revenue earned and collected from consular service fees — and unobligated balances brought forward from prior years' appropriations ($34.6 billion, 40 percent). A comparison of the two most recent years shows a $2.7 billion (3 percent) increase in total resources since 2023. The change resulted from increases in new appropriations ($1.6 billion), offsetting collections ($0.6) and unobligated balance from prior year budget authority (0.5 billion).

At the close of the fiscal year, the Department had a $29.7 billion balance in unobligated budgetary resources for future programmatic and institutional objectives. Such unobligated funds may be obligated until the funds' periods of availability expire.

Figure 19 highlights the budgetary resources trend over the fiscal years 2019 through 2024. Over this six-year period, total budgetary resources showed a general upward trend and increased by $12.3 billion (16 percent). Most of this increase was due to a $8.0 billion increase in the Department's appropriations from the 2019 level, which can be chiefly attributed to emergency security supplemental appropriations.

Figure 19. Trend in Total Budgetary Resources (2019-2024) ***(dollars in billions)***



Additional details of the Department's spending are captured for public consumption on the *USAspending* website. This searchable website is the official open data source of Federal spending, including information about Federal awards such as contracts, grants, and loans. Federal spending data is available to build a more transparent government, and may be viewed by entity, year, and other elements.

The Department's Budgetary Position

The Department's budgetary resources are drawn from two broad categories – Diplomatic Engagement and Foreign Assistance. The budgetary position descriptions in this section provide an overview of the two categories of funding.

On March 23, 2024, Congress enacted, and the President signed into law the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2024 (Division F, Public Law No. 118-47), which appropriated $56.4 billion in base funding to the Department of State and USAID. On April 23, 2024, Congress enacted the Supplemental Appropriations Act (Public Law No. 118-50), which provided $26.6 billion in supplemental funding for State and USAID. The Department received about $10.0 billion in non-appropriated revenues from fees and internal collections; as well as $259.0 million in mandatory appropriations, including $100.0 million provided through the Creating Helpful Incentives to Produce Semiconductors (CHIPS) Act of 2022 (Public Law No. 117-167). In addition, a net $31.3 billion remained available from 2023 and prior years. Totals exclude foreign assistance funding appropriated to USAID.

The Bureau of Budget and Planning manages the Diplomatic Engagement portion of the budget: $15.2 billion in new fiscal year appropriated budget authority (net of rescissions), $11.9 billion in other revenue, and 16.9 billion in prior year funding that remained available for obligation in 2024.

The 2024 Diplomatic Engagement budget and supplementals funded the Administration's highest foreign policy priorities, including to:

- Strengthen, invest, and build capacity in our workforce through the Secretary's Modernization Agenda, while addressing U.S. direct hire hiring gaps and to increase wages for LE staff.
- Enhance and secure our overseas presence to strengthen our alliances and partnerships, and increase our diplomatic presence abroad, particularly for the Indo-Pacific Strategy by opening new posts in the Pacific and Indian Oceans.
- Respond to crises abroad, from Enduring Welcome to the Israel-Hamas conflict to Ukraine to migration, often requesting supplementals and/or realigning existing funding.

- Deliver on our commitment to multilateral institutions to address collective challenges and meet our contributions to the UN, UN specialized agencies, NATO, and other international organizations.

The Office of Foreign Assistance manages the Foreign Assistance portion of the 2024 budget for the Department of State: $30.6 billion in new fiscal year appropriated budget authority (net of rescissions), $9.8 billion in prior year funding that remained available for obligation in 2024.

The 2024 Foreign Assistance budget and supplementals funded the Administration's highest foreign policy priorities, including to:

- Support Ukraine by ensuring President Putin's aggression against Ukraine remains a strategic failure, while ensuring accountability for the Ukrainian government and people and lay the reform and recovery foundation for winning the peace.
- Address strategic competition with the People's Republic of China (PRC) by implementing the Administration's "invest, align, compete" strategy towards the PRC, including countering specific problematic PRC behaviors globally, investing in infrastructure projects globally, and strengthening Indo-Pacific economies and support our partners in pushing back against predatory efforts.
- Deliver solutions for shared global challenges by spearheading international efforts to bolster economic, energy, food, and health security, address the climate crisis and other global challenges, including irregular migration and humanitarian disasters.
- Strengthen global democracy by shoring up fellow democracies and building resilience against authoritarians' efforts to undermine them.

Joint Efforts for Enduring Welcome

Since 2021, the U.S. Government has welcomed over 160,000 Afghans to the United States, and the Administration remains committed to the Afghans who supported the U.S. effort for two decades. In 2022, the Department assumed leadership responsibilities for Enduring Welcome, previously supported by the U.S. Department of Defense (DoD). In 2024, Congress established in law a new Enduring Welcome Administrative Expenses Account to facilitate implementation of activities to ensure our continued commitment to our Afghan partners. Congress did not appropriate new funding for this account; as of September 30, 2024, the Department has received $1.67 billion in unobligated balances transferred-in from 2022 Operation Allies Welcome supplemental appropriations and the U.S. DoD Operation Allies Welcome-specific Overseas Humanitarian, Disaster, and Civic Aid account.

Budgetary Position for Diplomatic Engagement

New 2024 base funding enacted for Diplomatic Engagement totaled $15.2 billion, including $9.4 billion in Diplomatic Programs, including Worldwide Security Protection; $389.0 million in the Capital Investment Fund; $2.0 billion for Embassy Security, Construction, and Maintenance (ESCM); $1.5 billion in Contributions to International Organizations; and $1.4 billion in Contributions for International Peacekeeping Activities. The 2023 Additional Ukraine Supplemental Appropriations Act (Public Law No. 117-328) provided an additional $272.0 million for Diplomatic Engagement accounts. Of this amount, $60.0 million is to respond to the situation in Ukraine and in countries impacted by the situation in Ukraine; $150.0 million for responding to the situation in Israel and areas impacted by the situation in Israel; $50.0 million for Emergencies in the Diplomatic and Consular Service; and $12.0 million for the Office of Inspector General.

These funds will remain available through 2025, except for $100.0 million in Diplomatic Programs/Worldwide Security Protection available until expended. The Diplomatic Engagement funding included $158.9 million in mandatory appropriations for the Foreign Service Retirement and Disability Fund, as well as $16.3 million of the CHIPS Act mandatory appropriation. The Department received $11.9 billion in reimbursements, fee revenue and proceeds of sale including $1.2 billion for Diplomatic Programs, $1.7 billion in the Working Capital Fund (WCF), $3.7 billion in International Cooperative Administrative Support Services (ICASS); and $5.2 billion in the Consular and Border Security Programs (CBSP) account derived from consular revenues, including a range of fees for visa, passports, and American citizen services. The CBSP total does not include $419.0 million in Passport Application and Execution revenue, for which the Department only has authority to spend $50.0 million in 2024.

In 2024, Congress also rescinded $224.0 million in ESCM prior-year funding and $902.0 million in prior-year CBSP revenue, which have been deducted from the new budget authority estimates above.

In addition to new appropriated 2024 funding, $16.9 billion in prior year Diplomatic Engagement funding remained available for obligation in 2024. This included $1.5 billion in Diplomatic Programs balances, $7.6 billion in ESCM balances, $652.0 million in balances from Contributions for International Peacekeeping Activities, $2.6 billion non-appropriated retained fee revenue balances for CBSP, $357.0 million in WCF balances, and $1.6 billion in ICASS balances. The Buying Power Maintenance Account closed 2024 with a balance of $100.0 million.

Budgetary Position for Foreign Assistance

For 2024, foreign assistance funding for the Department of State totaled $30.6 billion, provided through these appropriations laws: $19.5 billion in the Department of State, Foreign Operations, and Related Programs Appropriation Act, 2024 (Division F, Public Law No. 118-47), $7.1 billion in the Israel Security Supplemental Appropriations Act, 2024 (Division A, Public Law No. 118-50), $2.0 billion in the Ukraine Security Supplemental Appropriations Act, 2024 (Division B, Public Law No. 118-50), and $2.0 billion in the Indo-Pacific Security Supplemental Appropriations Act, 2024 (Division C, Public Law No. 118-50).

As of October 2023, the carryover of unobligated 2023 foreign assistance balances into 2024 totaled $9.8 billion.

Foreign Assistance Accounts Fully Implemented by the Department of State

The Department fully implements the following security assistance accounts: Foreign Military Financing; International Military Education and Training; International Narcotics Control and Law Enforcement; Nonproliferation, Antiterrorism, Demining, and Related Programs (NADR); and Peacekeeping Operations. Of the $16.5 billion security assistance total provided by Congress in 2024, the Israel Security Supplemental Appropriations Act, 2024 (Division A, Public Law No. 118-50) provided Israel and our other regional partners $3.5 billion in additional Foreign Military Financing, $75.0 million in International Narcotics Control and Law Enforcement and $10.0 million in Peacekeeping Operations. The Ukraine Security Supplemental Appropriations Act, 2024 (Division B, Public Law No. 118-50) provided $1.6 billion Foreign Military Finance, $300.0 million International Narcotics Control and Law Enforcement and $100.0 million in NADR programs. The Indo-Pacific Security Supplemental Appropriations Act, 2024 (Division C, Public Law No. 118-50) provided $2.0 billion Foreign Military Finance for assistance to our partners in the Indo-Pacific region.

In 2024, the portion of humanitarian assistance managed by the Department through the Migration and Refugee Assistance and U.S. Emergency Refugee and Migration Assistance accounts totaled $7.4 billion. Of that total, $3.5 billion was provided for additional humanitarian support for vulnerable populations and communities. These funds provided humanitarian assistance and resettlement opportunities for refugees and conflict victims around the globe and contributed to key multilateral and non-governmental organizations that address pressing humanitarian needs overseas.

In 2024, the portion of the Global Health Programs appropriation managed by the Department totaled $6.0 billion. This is the primary source of funding for the President's Emergency Plan for AIDS Relief. These funds are used to control the epidemic through data-driven investments that strategically target geographic areas and populations where the initiative can achieve the most impact for its investments.

The 2024 International Organizations and Programs totaled $437.0 million. It provided international organizations voluntary contributions that advanced U.S. strategic goals by supporting and enhancing international consultation and coordination. This approach is required in transnational areas where solutions to problems are best addressed globally, such as protecting the ozone layer or safeguarding international air traffic. In other areas, the United States can multiply its influence and effectiveness through support for international programs.

In addition, for 2024, out of the $100.0 million in funding appropriated by the CHIPS Act, $17.0 million was transferred into the NADR foreign assistance account.

Limitations of the Financial Statements

Management prepares its principal financial statements to report the financial position, financial condition, and results of operations for the Department of State consistent with the requirements of 31 U.S.C. 3515(b). The statements are prepared from the records of the Department in accordance with FASAB standards and the formats prescribed by OMB Circular A-136, *Financial Reporting Requirements*, revised, and other applicable authority. Reports used to monitor and control budgetary resources are prepared from the same records. Users of the statements are advised that they are for a component of the U.S. Government, a sovereign entity.

IN FOCUS

The Foreign Service National Emergency Relief Fund

Department of State

The Foreign Service National (FSN) Emergency Relief Fund is the Department's official charitable mechanism for disaster assistance to locally employed (LE) staff. Initially founded on April 27, 1983, as The Fund for Assistance to U.S. Government Employees at Overseas Posts, the charity was started by local employees in Embassy Santiago to assist their colleagues in Beirut, Lebanon, who were killed or injured in the April 18, 1983, bombing of the American Embassy. In 1994, it was renamed the FSN Emergency Relief Fund.

Since 1994, the Fund has served as the immediate humanitarian resource for LE staff of the Department of State and all other U.S. Government agencies under Chief of Mission authority. This program is not funded by appropriations but is sustained solely by private contributions from the foreign affairs community. Since its inception, more than $2.5 million has been disbursed to employees from each regional bureau, including personnel from other U.S. Government agencies, to help respond to natural disasters, civil unrest, war, and targeted attacks.

To better serve our local colleagues who bravely serve alongside diplomats around the world, this fiscal year, the Department launched an awareness campaign with the goal of driving up donations to better assist our LE staff colleagues in need. Since May 2024, the Fund has collected more than $43,000 in donations.

The nature of our work serves as a stark reminder that global conflicts impact everyone at the Department, and FSN and LE staff colleagues work tirelessly around the world for our country. Contributions to the Fund can be made by Civil Service, Foreign Service, LE staff and private sector individuals via *pay.gov* and all contributions are tax deductible. Every donation, no matter the size, makes a significant impact for our LE staff colleagues around the world.

For more information, visit the *FSN National Emergency Relief Fund* website.

Analysis of Systems, Controls, and Legal Compliance

Management Assurances

The Department's Management Control policy is comprehensive and requires all Department managers to establish cost-effective systems of management controls to ensure U.S. Government activities are managed effectively, efficiently, economically, and with integrity. All levels of management are responsible for ensuring adequate controls over all Department operations.

Management Control Program

The Federal Managers' Financial Integrity Act (FMFIA) requires the head of each agency to conduct an annual evaluation in accordance with prescribed guidelines, and provide a Statement of Assurance (SoA) to the President and Congress. As such, the Department's management is responsible for managing risks and maintaining effective internal control. For four decades, the Department has used the term management controls to describe its programs that were originated by the passage of FMFIA. Throughout this AFR, the term internal controls and management controls are intended to be used interchangeably.

The FMFIA requires the U.S. Government Accountability Office (GAO) to prescribe standards of internal control in the Federal Government, which is titled GAO's *Standards for Internal Control in the Federal Government* (Green Book). These standards provide the internal control framework and criteria Federal managers must use in designing, implementing, and operating an effective system of internal control. The Green Book defines internal control as a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity are achieved. These objectives and related risks can be broadly classified into one or more of the following categories:

- Effectiveness and efficiency of operations,
- Compliance with applicable laws and regulations, and
- Reliability of reporting for internal and external use.

OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control,* provides implementation guidance to Federal managers on improving the accountability and effectiveness of Federal programs and operations by identifying and managing risks, establishing requirements to assess, correct, and report on the effectiveness of internal controls. OMB Circular A-123 implements the FMFIA and GAO's Green Book requirements. FMFIA also requires management to include assurance on whether the agency's financial management systems comply with Government-wide requirements. The financial management systems requirements are directed by Section 803(a) of the FFMIA and OMB Circular A-123, Appendix D, *Management of Financial Management Systems – Risk and Compliance*. The 2024 results are discussed in the section titled "Federal Financial Management Improvement Act."

The Secretary of State's 2024 *Statement of Assurance for FMFIA and FFMIA* is provided in Section I, Management's Discussion & Analysis, of this report. We have also provided a *Summary of Financial Statement Audits and Management Assurances* as required by OMB Circular A-136, *Financial Reporting Requirements*, revised, in the Other Information section of this report.

During 2024, the Department invested significant resources to improve the Statement of Assurance process. A new SoA SharePoint page was designed and a new data-driven checklist to help establish that controls are operating effectively was created that replaced the prior checklist. We designed and implemented a new Statement of Assurance process application (SoAP) that automated the Statement of Assurance process for fiscal year 2024. SoAP went live in May 2024.

CGFS partnered with the M/SS Center for Analytics in the AI for Reports Modernization campaign to modernize the SoA checklist process. The new checklist directly supported the SoA attestations content, dramatically reduced the amount of time required to complete the checklist and provided data-driven evidence to support the SoA signatures from every Assistant Secretary, Chief of Mission, and Deputy Chief of Mission.

Using SoAP, Department personnel electronically submitted the completed SoA checklist; entered issues reported for 2024 as significant deficiencies, reportable conditions, or future potential risks; prepared the Statement of Assurance documents for each Assistant Secretary, Chief of Mission, and Deputy Chief of Mission; and obtained electronic signatures.

Additionally, SoAP provided the Department with many reporting capabilities, including the ability for all Department personnel to view and sort all unclassified issues reported in the SoAs, which dramatically increased transparency of the SoA process throughout the Department. The data can be sorted by deficiency category, bureau, issue category, issue subcategory, and responsible bureau.

As part of the redesigned SoA process, an Information and User Guide was created and made available for download from our SoA SharePoint page. Additionally, multiple training sessions and office hours opportunities (within varying time zones) were provided to ensure a successful implementation. The Department will continue to improve our management controls and global financial services with additional improvements that are planned for fiscal year 2025.

Departmental Governance

The Department's Management Control Steering Committee (MCSC) oversees the Department's management control program. The MCSC is chaired by the Comptroller, and is comprised of eight Assistant Secretaries, in addition to the Chief Information Officer, the Deputy Comptroller, the Deputy Legal Adviser, the Director for Budget and Planning, the Director for Global Talent Management, the Director for Management Strategy and Solutions, the Director for Overseas Buildings Operations, and the Inspector General (non-voting).

Figure 20. FMFIA Annual Assurance Process

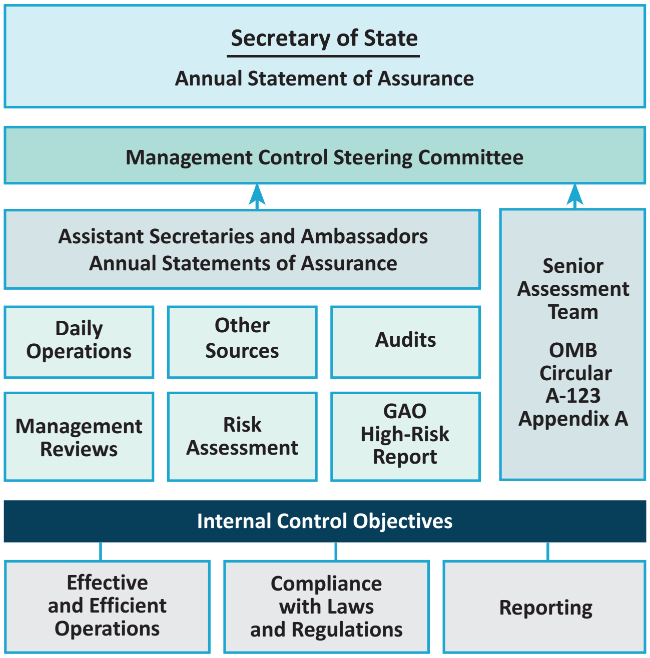


Figure 20 long description.

Statement of Assurance: Federal Managers' Financial Integrity Act and Federal Financial Management Improvement Act

The Department of State's (the Department's) management is responsible for managing risks and maintaining effective internal control and financial management systems to meet the objectives of Sections 2 and 4 of the Federal Managers' Financial Integrity Act. The Department conducted its assessment of risk and internal control in accordance with OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. Based on the results of the assessment, the Department can provide reasonable assurance that internal control over operations, reporting, and compliance was operating effectively as of September 30, 2024.

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires agencies to implement and maintain financial management systems that are in substantial compliance with Federal financial management system requirements, Federal accounting standards, and the U.S. Standard General Ledger at the transaction level. The Department conducted its evaluation of financial management systems for compliance with FFMIA in accordance with OMB Circular A-123, Appendix D. Based on the results of this assessment, the Department can provide reasonable assurance that its overall financial management systems substantially comply with principles, standards, and requirements prescribed by the FFMIA as of September 30, 2024.

As a result of its inherent limitations, internal control over financial reporting, no matter how well designed, cannot provide absolute assurance of achieving financial reporting objectives and may not prevent or detect misstatements. Therefore, even if the internal control over financial reporting is determined to be effective, it can provide only reasonable assurance with respect to the preparation and presentation of financial statements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Antony Blinken

Antony J. Blinken
Secretary of State
November 15, 2024

Individual SoAs from Ambassadors assigned overseas and Assistant Secretaries in Washington, D.C. serve as the primary basis for the Department's FMFIA SoA issued by the Secretary. The SoAs are based on information gathered from various sources including managers' personal knowledge of day-to-day operations and existing controls, management program reviews, completion of a data-driven SoA checklist, and other management-initiated evaluations. In addition, the Office of Inspector General (OIG), the Special Inspector General for Afghanistan Reconstruction, and the GAO conduct reviews, audits, inspections, and investigations that are considered by management.

The Senior Assessment Team (SAT) provided oversight during 2024 for the internal controls over reporting program in place to meet the requirements of OMB Circular A-123, Appendix A, *Management of Reporting and Data Integrity Risk*. The SAT reports to the MCSC, is chaired by the Deputy Comptroller, and is comprised of 16 senior executives from bureaus that have significant responsibilities relative to the Department's financial resources, processes, and reporting. The SAT also includes executives from the Office of the Legal Adviser and the OIG (non-voting). The Department employs a risk-based approach in evaluating internal controls over reporting on a multi-year rotating basis, which has proven to be efficient. Due to the broad knowledge of management involved with the Appendix A assessment, along with the extensive work performed by the Office of Management Controls, the Department evaluated issues on a detailed level.

The Department's management controls program is designed to ensure full compliance with the goals, objectives, and requirements of the FMFIA and various Federal laws and regulations. To that end, the Department has dedicated considerable resources to administer a successful management control program. The Department's Office of Management Controls employs an integrated process to perform the work necessary to meet the requirements of OMB Circular A-123's Appendix A and Appendix C (regarding Payment Integrity), the FMFIA, and GAO's Green Book. Green Book requirements directly relate to testing entity-level controls, which is a primary step in operating an effective system of internal control. Entity-level controls reside in the control environment, risk assessment, control activities, information and communication, and monitoring components of internal control in the Green Book, which are further required to be analyzed by 17 underlying principles of internal control. For the Department, all five components and 17 principles were operating effectively and supported the Department's 2024 unmodified Statement of Assurance. The 2024 Circular A-123 Appendix A assessment did not identify any material weaknesses in the design or operation of the internal control over reporting. The assessment did identify several significant deficiencies in internal control over reporting that management is closely monitoring, which are consistent with the content presented in the Independent Auditor's Report on Internal Control over Financial Reporting. The Department complied with the

Figure 21. A-123, Appendix A Process

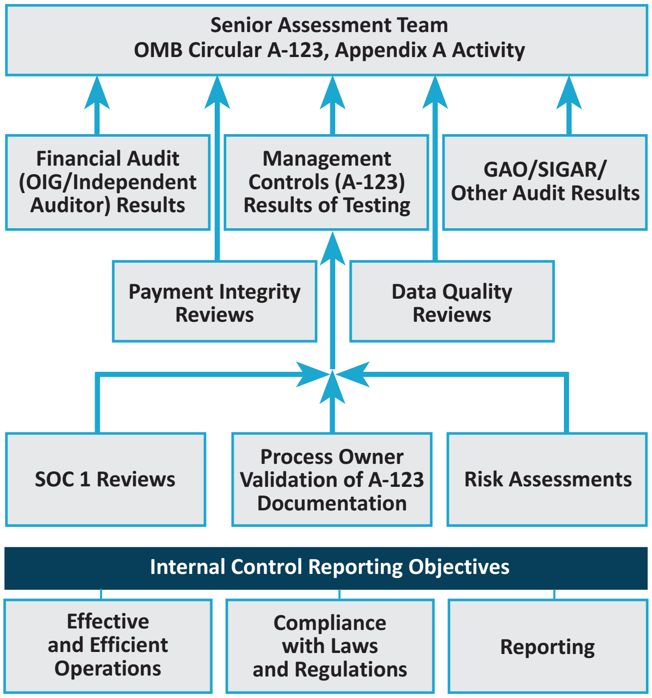


Figure 21 long description.

requirements in OMB Circular A-123 during 2024 while working to evolve our existing internal control framework to be more value-added and provide for stronger risk management for the purpose of improving mission delivery.

The Department also places emphasis on the importance of continuous monitoring. It is the Department's policy that any organization with a material weakness or significant deficiency must prepare and implement a corrective action plan to fix the weakness. The plan combined with the individual SoAs and Appendix A assessments provide the framework for monitoring and improving the Department's management controls on a continuous basis. Management will continue to direct and focus efforts to resolve significant deficiencies in internal control identified by management and auditors.

In addition, there are no high-risk areas currently on GAO's biennial High-Risk List that are solely the responsibility of the Department. Along with many other agencies, the Department's scope of operations is addressed in the GAO high-risk areas of "Ensuring the Cybersecurity of the Nation" and "Improving the Management of IT Acquisitions and Operations."

Federal Financial Management Improvement Act

The purpose of the FFMIA is to advance Federal financial management by ensuring that Federal financial management systems generate timely, accurate, and useful information with which management can make informed decisions and to ensure accountability on an ongoing basis.

OMB Circular A-123, Appendix D, *Management of Financial Management Systems – Risk and Compliance*, provides guidance the Department uses in determining compliance with FFMIA. In addition, the Department considers results of audit reports from the OIG and the GAO, annual financial statement audits, and other relevant information. The Department's assessment also relies upon evaluations and assurances under the Federal Managers' Financial Integrity Act of 1982 (FMFIA), including assessments performed to meet the requirements of OMB Circular A-123, Appendix A. When applicable, particular importance is given to any reported material weakness and material non-conformance identified during these internal control assessments. The Department continues prioritizing meeting the objectives of the FFMIA.

Federal Information Security Modernization Act

The Federal Information Security Modernization Act of 2014 (FISMA) requires Federal agencies to develop, document, and implement an agency-wide program to protect government information and information systems that support the operations and assets of the agency. FISMA authorized the Department of Homeland Security to take a leadership and oversight role in this effort. FISMA also created cyber breach notification requirements and modified the scope of reportable information from policies and financial information to specific information about threats, security incidents, and compliance with security requirements.

The Department remains committed to adopting the best cybersecurity practices and embedding them into our culture. As a result, we continue to improve our cybersecurity posture and provide transparency both internally and with our interagency partners.

The Department's 2024 Annual FISMA Report demonstrates our continued efforts to improve information technology (IT) security by prioritizing and aligning initiatives with *Executive Order 14028*. The Department's maturity level increased within one Cybersecurity Framework function, and it remains compliant with respect to multifactor authentication, data at rest, and data in transit.

In 2023, 372 FISMA systems were authorized out of 433, or 86 percent. The percentage of high impact systems authorized was 95 percent, while the percentage of moderate impact systems authorized reached 91 percent.

In 2024, 374 FISMA systems were authorized out of 433, or 86.3 percent. This increase demonstrates a 0.3 percent rise in the number of authorized systems. Of the Department's 62 high impact systems, 59 were authorized, or 95 percent. Additionally, 260 out of 275 moderate impact systems were authorized, or 94.5 percent, a 3.5 percent increase from the previous year. The implementation of Bureau Cyber Risk Scorecards has enhanced visibility of key risk metrics and continues to inform senior leaders of gaps in their organization's cybersecurity posture.

The Department's 2024 Annual FISMA Report demonstrates our continued efforts to improve IT security by defining performance measures and requirements that assess the effectiveness of the Information Security Continuous Monitoring program, achieve situational awareness, and control ongoing risk. Specifically, the Department established a performance measure requiring bureaus and offices to achieve a 90 percent or higher overall score from the Department's Digital Cybersecurity Dashboard, which is used to create quarterly Bureau Cyber Risk Scorecards, and implemented them as a process to monitor and report instances of unsupported software and operating systems.

Regarding emerging technology concerns, the Department is working toward a post-quantum cryptography environment by collaborating with Federal agencies, research institutions, and other partners to implement robust cryptographic standards that safeguard our national security in the quantum computing era. Additionally, the Department is addressing Generative Artificial Intelligence (GenAI) by cross-agency collaboration to develop and secure ethical AI applications. This includes developing guidelines and standards to protect against AI-driven cyber threats and ensuring the responsible use of GenAI technologies. One notable AI-powered application deployed this year is the chat bot, StateChat, which is in use across the Department. More information on the Department's AI efforts can be found in *Artificial Intelligence at State*.

Resource Management Systems Summary

The *Resource Management Systems Summary* provides an overview of the Department's current and future resource management systems framework and systems critical to effective agency-wide financial management operations, financial reporting, internal controls, and interagency administrative support cost sharing. The summary presents the Department's resource management systems strategy and continuous efforts to improve financial and budget management across the agency. This overview also contains a synopsis of critical projects and remediation activities that are planned or currently underway. These projects are intended to modernize and consolidate Department resource management systems.

OMB memorandum *M-22-09*, *Moving the U.S. Government Toward Zero Trust Cybersecurity Principles*, is a directive that requires Federal agencies to adopt a Zero Trust architecture strategy by September 30, 2024. Severe budget constraints delayed our ability to comply with requirements in 2024. The Department is committed to finalizing our strategy to meet compliance in 2025, pending budget availability.

Antideficiency Act

The Antideficiency Act (ADA) was enacted to prevent Federal agencies from incurring obligations or making expenditures in excess or in advance of amounts made available through appropriations, or from accepting voluntary services.

The Department accounts and reports on 530 Treasury Account Fund Symbols annually. Additionally, the Department operates in a complex financial environment with cash transactions processed all over the world in multiple foreign currencies. Management is committed to strengthening existing controls and reconciliation efforts around the use of appropriated funds to help detect and resolve any potential violation of the ADA. The Department did not have any ADA violations in 2024.

Debt Collection Improvement Act

Outstanding debt from non-Federal sources (net of allowance) increased from $33.9 million as of September 30, 2023, to $118.7 million as of September 30, 2024. Direct Loans, International Boundary and Water Commission (IBWC), and Administrative Loans decreased by $4.9 million and Civil Monetary Penalties and Passport non-sufficient funds increased by $79.3 million as of September 30, 2024, resulting in an increase overall to the non-Federal source figures.

Non-Federal receivables consist of debts owed to the IBWC, Civil Monetary Fund, and amounts owed for repatriation loans, medical costs, travel advances, and other miscellaneous receivables.

The Department uses installment agreements, salary offset, and restrictions on passports as tools to collect its receivables. It also receives collections through its cross-servicing agreement with Treasury. In 1998, the Department entered into a cross-servicing agreement with Treasury for collections of delinquent receivables. In accordance with the agreement and the Debt Collection Improvement Act of 1996 (Public Law No. 104-134), the Department referred $4.4 million to Treasury for cross-servicing in 2024. Of the current and past debts referred to Treasury, $3.2 million was collected in 2024. Table 10 shows amounts referred and collected.

Table 10. Receivables Referred to the Department of the Treasury for Cross-Servicing

	2024	2023	2022
Number of Accounts	3,700	3,060	5,631
Amounts Referred *(dollars in millions)*	$ 4.4	$ 4.2	$ 8.1
Amounts Collected *(dollars in millions)*	$ 3.2	$ 5.4	$ 5.8

Prompt Payment Act

The Prompt Payment Act (PPA) requires Federal agencies to pay their bills on time, to pay interest penalties when vendor payments are made late, and to take discounts only when payments are made within the discount period. In 2024, the Department timely paid 96 percent of the 681,401 payments subject to PPA regulations. Of over $13 billion in payments that were subject to PPA, the Department paid $1,063,782 in interest penalties compared to $1,173,639 in 2023, a decrease of $109,857. The decrease was primarily due to making a higher volume of payments on-time during 2024. Portions of the interest penalties include overseas interest which increased to $391,887 from $52,155 in 2023, due to compensation payroll-related interest.

For 2024, the Department disbursed over 4.1 million payments and 99.6 percent of them were processed through electronic funds transfer, helping the organization to more efficiently manage its invoice payment process.

Management Challenges: Providing an Independent Statement of the Agency

In addition to the seven risk areas identified by management and discussed in *Forward-Looking Information*, the OIG identified three additional management and performance challenges facing the Department, in the areas of: safety and security; stewardship; and staffing and organizational structure. For a complete understanding of the forward-looking issues and challenges associated with the Department's mission and the agency's progress addressing them, both sections of the report should be read.

The OIGs *Department Challenges and Management's Response* may be found in the Other Information section of this report.

IN FOCUS

Department of State Recruitment Efforts

Diplomats in Residence talk with prospects at the 2023 American Indian Science and Engineering Society National Conference, a convention for Indigenous STEM professionals and students, in Spokane, WA, October 2023. *Department of State*

Since 2023, the Department has onboarded new hires at the highest levels seen in more than a decade. Nearly a quarter of the Foreign Service workforce and one-third of the Civil Service workforce have been hired since March 2020. The Department recruits from the diversity of our nation. This year, the Department recruited in every U.S. state – from Alabama to Wyoming. The Department has welcomed 790 paid student internship participants in 2024, who hailed from 47 states, as well as Washington, D.C. and Puerto Rico. As part of the Secretary's Modernization Agenda that seeks to ensure the Department is a model workplace that attracts and retains top talent across all hiring types, the Department also expanded existing professional fellowships and created two new programs: The Colin Powell Leadership Program for Civil Service professionals and the William D. Clarke, Sr. Diplomatic Security Fellowship.

In January 2024, the Department announced the new Lateral Entry Pilot Program, a career opportunity for mid-level entry into the Foreign Service at grades FP-03 and FP-02. The program recruits mid-career professionals from the Civil Service, broader public sector, private sector, and academia with critical skills and experience. In addition, beginning with candidates who took the Foreign Service Officer Test in February 2024, the Department moved to a fully virtual Foreign Service Officer Assessment in May 2024. This change significantly increases accessibility for candidates, eliminates travel costs and other logistical burdens, and improves candidates' experience in this highly selective process. As Secretary Blinken said, "We've been able to open the aperture of the Department to make sure that those who otherwise couldn't afford to try this out now were able to do so. And that means we're going to have a Department – I hope as a result of this – that better reflects the country we represent in all of its dimensions. And that's usually important for two reasons; one, it's the right thing to do. Government should be representative of all the people. But two, it's also the smart and necessary thing to do."

The Department has also announced a new Foreign Service Experience Bump-Up Policy effective October 1, 2024, which offers candidates with qualifying non-career State Department Foreign Service experience increased valuation to their ranked score on the Foreign Service registers after they have completed all assessments and obtained security, medical, and suitability clearances.

In 2025, the Department aims to onboard at least 30 Lateral Entry Pilot Program candidates to the Foreign Service. Those selected will receive an appointment as a Foreign Service Officer at mid-level grades FS-03 and FS-02.

Forward-Looking Information

In 2024, the Department continued taking important steps to advance its risk culture. The Enterprise Governance Board (EGB), which is comprised of the Deputy Secretary and all Under Secretaries, serves as the Department's Enterprise Risk Management Council and reviews the Department's enterprise risk posture on at least an annual basis at a meeting of the EGB. The EGB approves and reaffirms significant changes to the Department's enterprise risk management policy, which is outlined in the *Foreign Affairs Manual (FAM) 2 FAM 030, Enterprise Risk Management*. The EGB also works with the Secretary to set the Department's risk tolerance level and communicate it clearly to staff. In general, the EGB does not make day-to-day decisions regarding risk. Instead, the EGB sets the stage for risk management at all levels of the organization. Bureaus, offices, working groups, and overseas posts are encouraged to use their existing reporting chains (such as mission Emergency Action Committees and domestic executive or review committees) and relationships to seek decisions regarding risk. The EGB may elect to review enterprise-level risks on a case-by-case basis. Department acknowledges that the advancement of U.S. foreign policy objectives inherently involves diverse types of risk, and the Department recognizes that taking considered risks can be essential to achieving mission success.

In October 2021, the Secretary stated as part of his Modernizing American Diplomacy agenda that, "a world of zero risk is not a world in which American diplomacy can deliver. We have to accept risk and manage it smartly." The Secretary has been very clear in his Modernization Agenda that the Department's risk culture must advance; it requires decisive leadership and considered risk management, all of which facilitate agile diplomacy in an increasingly complex and challenging global environment. The Department faces and manages millions of risks on a daily basis and the Modernization Agenda seeks to ensure that Department employees are equipped, empowered and enabled to manage these risks.

In November 2022, the EGB endorsed a three-pronged approach to advancing the Department's risk culture through policies, processes, and engagement to ensure that all employees, regardless of rank, are equipped, empowered, and enabled to engage in thoughtful risk management. Over the course of the past year, there have been many advances across the Department to aid this effort e.g., revisions to the Department's Risk Policy, a complete overhaul of the Department's Risk Handbook, refinement of the new Security Review Committee (SRC) process, and a Department Risk Framework Statement.

Security Review Committee: The SRC plays a crucial role in enterprise risk management in assessing serious security incidents to determine whether the Department's current risk management policies, procedures, and programs functioned appropriately and as intended. The SRC process helps to advance a culture of learning by identifying areas of opportunity to improve the protection of U.S. personnel and facilities and promote smart risk management that considers the full spectrum of risk the United States faces overseas, to include risks to mission and diplomatic effectiveness.

Department Risk Framework: The Department Risk Framework provides broad-based guidance for all employees on the Department's willingness and capacity to accept and manage specific risks. The definitions and risk categories provided within are designed to provide clarity in expectations, improve focus in risk management efforts, increase communication with stakeholders, and reduce the potential for unacceptable loss, including lost opportunity. The Department looks forward to continuing these efforts in 2025.

This year, the Department's management identified seven risk areas for discussion in this report. These include: climate change, Russia's war of aggression against Ukraine, the suspension of operations in Sudan, the Israel-Hamas and Israel-Hizballah conflicts, Artificial Intelligence at State, the implementation of Statement of Federal Financial Accounting Standards No. 54 on leases, and the Department's Talent Retention Plan.

Climate Change

Climate Change has been classified as a national security issue since at least 1991 and was identified as "the existential challenge of our time" in the 2022 National Security Strategy. Executive Order 14008 on Tackling the Climate Crisis at Home and Abroad committed the Administration to "put the climate crisis at the center of foreign policy and national security." Natural hazards, including those expected to become more frequent and intense due to climate change, impact the Department's mission, operations, and personnel regularly. Over the last several years, the Department has taken steps to analyze those hazards to its domestic and overseas locations and ensure risk mitigation is more effectively and strategically incorporated into the Department's operations and planning. The Bureau of Overseas Buildings Operations (OBO) Climate Security and Resilience (CS&R) program has been assessing exposure, vulnerability, and risks at a portfolio level using natural hazards data and analysis to create awareness and to inform climate adaptations. The Bureau of Administration has begun to assess, through its Strategic Asset Management Plans, climate-related risks to properties and wholistic facility requirements to support future planning and budget requests for some of the major facilities it maintains. The Foreign Service Institute (FSI), in cooperation with the Special Presidential Envoy for Climate, the Bureau of Oceans and International Environmental and Scientific Affairs, the Office of Management Strategy and Solutions (M/SS), OBO, and other bureaus, has launched six new climate-related courses and is developing multiple others to advance climate literacy for all staff. Further, the CS&R program and the Bureau of Diplomatic Security's Emergency Planning Unit are collaborating to develop natural hazard-specific custom annex chapter exemplars for Emergency Action Plans.

Refer to the *Other Information* section of this report for more information on Climate-Related Financial Risk, the Department's Climate Adaptation and Resilience Plan (CARP), and work to date to assess and mitigate climate risks for the Department's supply chains, facilities, and personnel.

Russia's War of Aggression Against Ukraine

In February of 2022, Russia launched an unprovoked illegal full-scale invasion of Ukraine. Since then, Russia has continued to willingly and knowingly inflict incalculable damage on the Ukrainian people, attempt to subvert Ukrainian sovereignty, and violate international law, human rights, and core principles of the United Nations Charter. Russia's territorial aggression persists with the material and diplomatic support of Iran and Democratic People's Republic of Korea and targeted economic cooperation with People's Republic of China (PRC).

With sustained substantial assistance from the United States and more than 50 other partners, Ukraine has courageously maintained its independence and inflicted significant costs on the Russian military. That said, Russia has executed a grinding campaign in the East that has captured strategically significant new territories, and successfully destroyed a substantial percentage of Ukraine's energy infrastructure to undercut its economy and systematically deprive the civilian population.

In 2023 and 2024, Russia continued to commit atrocities against the people of Ukraine. Russian missiles and glide bombs purposefully targeted civilian infrastructure in an attempt to terrorize and demoralize the Ukrainian populace, including mass-casualty attacks on hospitals, schools, and elder-care facilities. Occupation forces have routinely kidnapped and refused to return tens of thousands of Ukrainian children, who are then sent to "re-education facilities" across Russia or even adopted-out to Russian families, unbeknownst to their parents. Video evidence has repeatedly shown Russian forces executing bound unarmed prisoners of war.

U.S. assistance has delivered powerful results on the security, energy, and humanitarian fronts. With U.S. equipment, Ukraine reclaimed a large portion of the territory seized by Russia in early 2022 and has expanded its campaign into Russian territory to degrade logistical and other assets used by the Russians to launch or support strikes inside Ukraine. Ukraine has also effectively curtailed Russia's ability to operate its Black Sea fleet near Ukraine waters. With U.S. investment and facilitation, Ukrainian grain continues flow to world markets, key to Ukraine's economic resilience. U.S. humanitarian aid and direct budget support have kept vital government services online.

Despite frequent missile and drone attacks on the capital, air defenses have been remarkably effective. As of September 30, 2024, the U.S. Embassy in Kyiv was still actively providing services and has not sustained any damage that would trigger an impairment of Federal assets or real property. The United States will continue to provide vital economic, humanitarian, and security assistance so Ukraine can protect its people and defend its sovereign right to choose a democratic future fully integrated into the Euro-Atlantic community.

Suspension of Operations in Sudan

The U.S. Embassy in Khartoum, Sudan was evacuated, and on-site operations were suspended on April 22, 2023, except for the continued physical monitoring and protection of the embassy compound and facilities. As heavy fighting between the Sudanese Armed Forces and the Rapid Support Forces inflicts untold harm on civilians, the Department will use every diplomatic, economic, political, and development assistance tool at our disposal to advance the goals of ending the fighting, ensuring unhindered access for the delivery of humanitarian aid, and facilitating a return to civilian governance.

The Department will continue to lead engagement with Sudanese civilian groups from around the country, including representatives of political parties and initiatives, civil society, professional and labor unions, Resistance Committees, and women and youth organizations, to foster an inclusive and broadly representative civilian coalition that can determine priorities for a transitional government and select its leadership.

With the evacuation of all American employees and family members and the subsequent suspension of operations, the Department had to review all active contracts and grants, unliquidated obligations, and personal and real property, including some leased properties, to determine what impact, if any, the suspension would have on the Department's financial position. The Department undertook a challenging and labor-intensive process to evaluate the appropriate scope of contracts and grants, focusing on which items to de-obligate, and to consider how strategic pivots could be made to ongoing assistance programs in order to address emerging needs.

Additionally, the Department focused on the possible effects of any disposals and impairments to property. The Department maintains title and ownership of the Embassy Khartoum compound, the Chief of Mission residence, and an eight-unit housing compound. As of September 30, 2024, the Department has disposed of 10 leased real property assets and is working with OBO to terminate the remaining lease consisting of 40 units. As conditions change, the Department will re-evaluate embassy property and ensure any needed adjustments are reflected in its accounting records.

The Israel-Hamas and Israel-Hizballah Conflicts

On October 7, 2023, Hamas launched a large-scale attack on Israel from the Gaza Strip, killing an estimated 1,200 individuals, injuring more than 5,400, and abducting 253 hostages. The attack emboldened Hizballah who, a day later, began firing rockets from Lebanon into Israel. Israel responded with a sustained, wide-scale military operation in Gaza, which has resulted in over 40,000 Palestinian casualties according to the de facto Gaza Health Ministry. This conflict, and the subsequent hostilities with Hizballah in Lebanon, has resulted in mass displacement of civilian populations in Gaza, northern Israel, and Lebanon, and a severe humanitarian crisis. The United States and its regional partners have worked tirelessly to negotiate a ceasefire agreement that would return all hostages, allow for the flow of humanitarian assistance, and chart the way forward towards sustainable peace, but until now, the agreement has been elusive.

To provide departure assistance necessary for U.S. citizens, U.S. lawful permanent residents, and eligible immediate family members to move to safety when commercial options were unavailable or acutely limited, as well as coordinate many other areas for crisis response, the Department established task forces for both conflicts. Additionally, the Department funded charter air and sea vessels and secured augmented flights for those receiving departure assistance to leave Israel and Lebanon. The Department also offered emergency medical, dietary, and temporary assistance loans to U.S. citizens in Lebanon.

Despite intense diplomatic efforts to resolve the conflicts, a ceasefire agreement for Gaza has not yet been reached. Likewise, the conflict on Israel's northern border continues to escalate. The Department continues to conduct further crisis contingency planning to carry out its response to the crises. The budget implications impact many mandated functional areas, and the Department continues to assess expenditures and efficiently reallocate funds where possible. Ultimately, the only way to prevent further loss of life and mitigate the cost of responding to the crises is for all parties to agree on a diplomatic solution that will reduce tensions, prevent further escalation in the fighting, return the remaining hostages, and allow communities on all sides to return safely to their homes.

Artificial Intelligence at State

The Department of State is at a pivotal moment where multiple Federal mandates require agencies to advance AI innovation and use needs to balance responsible AI implementation. This comes with both significant opportunities and risks. To navigate this risky landscape, the Department has taken several steps to identify, manage, and mitigate AI-related uncertainties.

The Department has released and is implementing its first-ever Enterprise AI Strategy to guide the responsible AI use at State. This strategy identifies various risks, including risks to security, privacy, bias, data quality, and ethical use. To mitigate potential harms, the *Enterprise AI Strategy* prioritizes innovation with establishing and maintaining effective AI governance and policy. For instance, it includes the development of policies to govern the use of publicly available generative AI tools. The strategy also emphasizes the importance of providing appropriate access to AI-ready data, securing AI infrastructure, scaling AI responsibly, and conducting continuous evaluation and testing.

To promote innovation and empower its workforce to navigate this changing landscape in 2024, the Department launched an enterprise GenAI chatbot, StateChat, and invested in centralized enterprise tools and platforms. Building in-house AI capabilities helps protect sensitive data, ensures centralized governance, and reduces duplicative spending.

Finally, the Department is developing governance and policies to manage both known and unknown AI risks, such as policies to manage AI risks that may impact individuals' rights and safety. Implementing AI governance also allows the Department to remain flexible in addressing new and emerging risks as they arise. The Applied AI Steering Committee, which includes representatives from acquisitions, privacy, cybersecurity, civil rights, human resources, and other areas, ensures a multidisciplinary approach to risk management.

The Department is proactively addressing the challenges and opportunities presented by AI. Through strategic planning, investment in AI tools, and the development of comprehensive governance and policies, the Department aims to harness the benefits of AI while mitigating potential financial, legal, and reputational risks.

Implementation of Statement of Federal Financial Accounting Standards No. 54 on Leases

Statement of Federal Financial Accounting Standards (SFFAS) No. 54, *Leases*, was issued in April 2018 and, following the release of multiple amendments and implementation guidance, became effective for all Federal agencies on October 1, 2023. This guidance revised the definition of a lease for accounting and aimed to improve transparency in financial reporting for leases. Previously, under SFFAS No. 6, *Accounting for Property, Plant, and Equipment,* only leases meeting the "capital lease" criteria were reported as assets and liabilities. The new standard requires contracts or agreements with identified right-to-use assets and terms of over 24 months to be reported as assets and liabilities on the Consolidated Balance Sheets and disclosed in the notes to the financial statements. The standard also provides additional reporting requirements for intragovernmental leases.

The Department manages one of the largest and most complex lease portfolios in the Federal Government. As such, the changes in the reporting requirements outlined in SFFAS No. 54 will continue to have a considerable impact on how the Department reports its leases on the annual financial statements in 2024 and beyond. This will require significant changes to the Department's internal controls for reporting leases, lease policies, and our financial and lease inventory systems. Agencies may, and the Department has elected to, defer reporting of leases embedded within service contracts with the primary purpose of procuring the services until 2027. However, the Department is preparing for the future processes, systems, and controls that will produce compliant reporting of these embedded leases in 2027.

To achieve timely implementation, the Department has dedicated additional resources to develop immediate short-term solutions while, at the same time, recognizing the need to invest resources for developing, testing, customizing, and fully implementing a long-term integrated technology solution. As of September 30, 2024, the Department has developed a lease calculation tool for the calculation of the net present value and the subsequent amortization of the lease liability and asset depreciation for the Department's full lease population. The data used for the tool is derived from the Department's lease inventory, which was recently updated to include additional data elements required under the new standard. The Department used a combination of manual lease reviews and generative AI models to extract these data elements from our historical lease documents. The data and calculation results of the short-term effort will be an integral part of the Department's long-term, technology-based, solution for leases.

The Department's Talent Retention Plan

In October 2021, Secretary Blinken announced the creation of a Retention Unit in the Bureau of Global Talent Management (GTM) during his address on the "Modernization of American Diplomacy." As the Secretary emphasized at that time, "Our recruitment and hiring efforts are in vain if we cannot retain our workforce." The Department considers retention efforts important to the mission because workforce stability and continuity are crucial for executing long-term foreign policy goals and maintaining our leadership on the global stage.

GTM's Retention Unit was formally established in January 2022 with the goal of better understanding and addressing the issues that may be causing people to consider leaving the Department of State. In support of the Secretary's Modernization Agenda, GTM's Retention Unit conducted a comprehensive investigation into the retention and employee experience challenges faced by the Department of State, with a focus on the Department's U.S. direct hire employee groups. The primary objective of this effort was to assess whether the Department has retention and/or employee experience issues and, if so, to identify the underlying problems and appropriate solutions.

The Talent Retention Plan released on September 4, 2024, responds to the Secretary's request to investigate the retention and employee experience at the Department. It outlines ongoing activities to tackle known challenges and provides recommendations for enhancing the employee experience for the Department's approximately 27,000 career direct hire employees. The plan focuses on issues identified in the Stay Survey and Exit Interviews conducted by the Retention Unit, including career growth and development, family support, and strengthening accountability.

GTM views the Retention Plan as an important step in restoring the Department's reputation as an employer-of-choice for a talented and diverse workforce. While overall attrition rates in the Department remain among the lowest in the Federal Government and lower than the private sector, the Retention Plan looks to improve the overall employee experience – from the initial job application straight through to retirement – so that we can continue to hire and retain the world's premier diplomatic service.

IN FOCUS

Establishing the Office of the Provost: A Historic Milestone for the Foreign Service Institute

FSI Director Joan Polaschik announces the formation of a Change Management Office to aid in the facilitation of establishing an Office of the Provost at an FSI Townhall in Arlington, VA, April 2023. *Department of State*

The Foreign Service Institute (FSI) has long been the cornerstone of diplomatic training and professional development for U.S. Government foreign affairs professionals. As part of the Secretary's Modernization Agenda, FSI has embarked on a transformative journey to further elevate its mission by establishing an Office of the Provost. This historic undertaking aims to align FSI's resources, enhance strategic capacity, and better equip the Department's workforce to meet the evolving demands of global diplomacy.

The establishment of the Office of the Provost was driven by the need for greater strategic alignment and capacity within FSI. The FY 2023 National Defense Authorization Act (NDAA) specifically called for the creation of a "Provost of the Foreign Service Institute" to oversee, review, evaluate, and coordinate the academic curriculum for all courses taught and administered by FSI. This centralized approach will address the current decentralized model, which has led to duplication of work, ad hoc approaches, and imbalances in capacities across FSI offices. By consolidating curriculum design, evaluation, professional development, and educational technology under the Office of the Provost, FSI aims to create a more impactful and unified training environment.

The arrival of FSI's inaugural Provost on September 9, 2024, marked a significant milestone in this journey. The Provost, along with the newly onboarded Provost leadership team, will begin their efforts by implementing the notional operational plan developed by FSI's senior leadership team. This plan outlines the steps needed to stand up the Office of the Provost and incorporates change management best practices further delineating what needs to be done and in what order. The Provost leadership team will work closely with stakeholders to ensure a smooth transition and alignment with the Department's strategic objectives.

The establishment of the Office of the Provost represents a visionary step forward for FSI, promising to enhance the Institute's capacity to design, deliver, and evaluate training and professional development. This historic undertaking will better equip the Department's workforce with the knowledge, skills, and tools needed to advance American interests in a rapidly evolving global arena.

Section II:

Financial Section

Message from the Comptroller


James A. Walsh, Comptroller

It is my honor to present the fiscal year (FY) 2024 Agency Financial Report (AFR), including this year's audited financial statements, on behalf of the Department of State. The AFR is our principal financial report to the President, Congress, and the American people and reflects the Department's commitment to deliver the highest standard of financial accountability and transparency to the American people. It also demonstrates the strong stewardship and care over the resources entrusted to us to lead America's global diplomatic efforts and achieve our essential foreign affairs mission. The theme of this year's AFR, *People Powered Diplomacy*, highlights the ongoing efforts throughout the Department to empower our diverse, talented workforce in ways that further our mission. We know that financial data integrity and availability play an important role in this process. It also is important to remember that the facts and figures presented in this AFR represent the complexity and challenges inherent in the financial management work performed daily by the Department's dedicated professionals, around the world, in some of the most difficult operating environments.

The scope of the Department's global mission and corresponding financial activities is immense. The Department operates in more than 270 embassies and consulates around the world. We conduct business on a 24/7 basis in over 135 currencies; account for more than $87 billion in budgetary resources and $127.2 billion in assets, including more than $33 billion in historical cost of real and personal property assets and more than 16,000 overseas real property leases (including roughly 6,000 leases managed by the Department on behalf of other Federal agencies), in more than 500 separate fiscal accounts.

In delivering the Department's financial programs, systems, and services, the Bureau of the Comptroller and Global Financial Services (CGFS) codified its own Vision statement, establishing agility, innovation, and being a valued partner in driving mission and customer success as the guideposts for all we do. It will shape our efforts to invest in transformative financial systems and innovation that improve our global financial operations, reporting, and compliance. We also are working to unify the Department's widely dispersed financial management community and improve data access and quality to support leadership decisions. Our support of these efforts, together with our need to be responsible stewards of data, requires that we continuously enhance our financial systems and data. To that end, as required by the Digital Accountability and Transparency Act, the Department reports financial and payment information to the public using *USASpending.gov* and continues to aim for 100 percent accuracy of this data. Our ISO 9001 certified operations and Capability Maturity Model Integration standard for financial systems development help us deliver quality global financial services and systems focused on improvement, customers, and the mission. In the coming year, we increasingly will upskill the financial management workforce. This effort will involve achieving more widespread data literacy and building the capability to provide leadership the analysis needed to support strategic resource decisions.

The Department is implementing SFFAS No. 54 to improve lease reporting transparency, dedicating resources to develop both short-term and long-term solutions for managing its complex global lease portfolio. This includes new internal controls, policies, and systems to comply with the updated standard.

Strong and effective internal controls are fundamental to our success, and we embrace our Department-wide leadership role in promoting them. As a result, we are pleased to report the Department maintains a comprehensive, sound internal controls system. For 2024, no material weaknesses in internal controls were identified by senior leadership. The Secretary, therefore, was able to provide reasonable assurance on the effectiveness of the Department's internal controls in accordance with the Federal Managers' Financial Integrity Act. The Secretary also provided assurance that the Department's financial systems were in substantial compliance with the Federal Financial Management Improvement Act. As highlighted in the AFR, the Department does not have any programs at risk of making significant improper payments. We continuously conduct payment risk assessments and recapture audits, as well as verifications against Treasury's Do Not Pay databases. In its most recent annual assessment, the Office of Inspector General (OIG) found the Department's improper payments program to comply with the Payment Integrity Information Act. Finally, I am pleased to report AGA again awarded the Department the prestigious *Certificate of Excellence in Accountability Reporting* in recognition of the exceptional quality of our 2023 AFR.

The annual independent audit and the AFR are essential elements of our commitment to strong corporate governance and effective internal controls. The audited financial statements in the following pages represent the culmination of a rigorous annual process with our partners: the OIG and the independent auditor, Kearney & Company. Given the financial complexities and unpredictability of the global operating environment in 2024, there always are opportunities to improve and issues that require further clarification as we meet Government-wide compliance and accounting standards. For 2024, the Department received an unmodified ("clean") audit opinion on its 2024 and 2023 financial statements, with no material weaknesses in internal controls over financial reporting identified by the Independent Auditor.

We are pleased with the outcome of this year's audit. I would like to congratulate and thank the Department's outstanding management and financial teams across all bureaus and posts. Their diligence and strong stewardship are the foundation of this accomplishment. At the same time, we recognize and appreciate there are items noted in the AFR and the independent auditor's report that require our continued attention and improvement as well as smartly integrating and managing new compliance requirements. We are up to the challenge and resolved to further our essential foreign affairs mission and deliver financial accountability to the American people.

Sincerely,

James A. Walsh
Comptroller
November 15, 2024

"CGFS will be an agile, innovative, and valued partner, driving mission and customer success."

Office of Inspector General
United States Department of State

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November 15, 2024

INFORMATION MEMO FOR THE SECRETARY

FROM: OIG – Cardell K. Richardson, Sr.

SUBJECT: *Independent Auditor's Report on the U.S. Department of State FY 2024 and FY 2023 Financial Statements* (AUD-FM-25-04)

The Office of Inspector General (OIG) engaged an independent external auditor, Kearney & Company, P.C., to audit the financial statements of the U.S. Department of State (Department) as of September 30, 2024 and 2023, and for the years then ended; to report on internal control over financial reporting; to report on whether the Department's financial management systems substantially complied with the requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA); and to report on compliance with laws, regulations, contracts, and grant agreements. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget audit guidance.

In its audit of the Department's FY 2024 and FY 2023 financial statements, Kearney & Company found the following:

- The financial statements as of and for the fiscal years ended September 30, 2024 and 2023, are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.
- No material weaknesses[1] in internal control over financial reporting.
- Five significant deficiencies[2] in internal control, specifically related to property and equipment, leases, unliquidated obligations, financial reporting, and information technology.
- Financial management systems complied substantially with the requirements of FFMIA.
- One instance of reportable noncompliance with provisions of the Prompt Payment Act.

[1] A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

[2] A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

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Kearney & Company is responsible for the attached auditor's report, which includes the Independent Auditor's Report; the Report on Internal Control Over Financial Reporting; and the Report on Compliance With Laws, Regulations, Contracts, and Grant Agreements, dated November 15, 2024. Kearney & Company is also responsible for the conclusions expressed in the report. OIG does not express an opinion on the Department's financial statements or conclusions on internal control over financial reporting and compliance with laws, regulations, contracts, and grant agreements, including whether the Department's financial management systems substantially complied with FFMIA.

The Bureau of the Comptroller and Global Financial Services' response is reprinted in its entirety as an appendix to the auditor's report.

OIG appreciates the cooperation extended to it and Kearney & Company by Department managers and staff during the conduct of this audit.

Attachment: As stated.

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INDEPENDENT AUDITOR'S REPORT

AUD-FM-25-04

To the Secretary of the U.S. Department of State and the Inspector General:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the U.S. Department of State (Department), which comprise the consolidated balance sheets as of September 30, 2024 and 2023; the related consolidated statements of net cost and changes in net position and the combined statements of budgetary resources for the years then ended; and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Department as of September 30, 2024 and 2023, and its net cost of operations, changes in net position, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 24-02, "Audit Requirements for Federal Financial Statements." Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Department and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

As discussed in Note 1 to the Department's financial statements, "Summary of Significant Accounting Policies," during FY 2024, the Department adopted new accounting guidance issued by the Federal Accounting Standards Advisory Board (FASAB). Specifically, the Department implemented Statement of Federal Financial Accounting Standards (SFFAS) 54, "Leases," SFFAS 62, "Transitional Amendment to SFFAS 54," and Technical Bulletin 2023-1, "Intragovernmental Leasehold Reimbursable Work Agreements." Additional information on the Department's

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implementation of the lease requirements is provided in Note 6 to the Department's financial statements, "General Property and Equipment, Net," and additional information related to the implementation of the leasehold reimbursement requirements is provided in Note 8 to the Department's financial statements, "Other Assets." Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for a reasonable period of time.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

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expressing an opinion on the effectiveness of the Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Combining Statement of Budgetary Resources, Deferred Maintenance and Repairs, and Land be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by OMB Circular A-136, "Financial Reporting Requirements," and FASAB, which consider the information to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of making inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the Agency Financial Report. The other information comprises the Introduction, Message from the Secretary, Message from the Comptroller, Section III: Other Information, and Appendices as listed in the Table of Contents of the Department's Agency Financial Report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be

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materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards* and OMB Bulletin No. 24-02, we have also issued reports, dated November 15, 2024, on our consideration of the Department's internal control over financial reporting and on our tests of the Department's compliance with provisions of applicable laws, regulations, contracts, and grant agreements for the year ended September 30, 2024. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 24-02 and should be considered in assessing the results of our audits.

Kearney & Company

Alexandria, Virginia
November 15, 2024

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Secretary of the U.S. Department of State and the Inspector General:

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 24-02, "Audit Requirements for Federal Financial Statements," the financial statements and the related notes to the financial statements of the U.S. Department of State (Department) as of and for the year ended September 30, 2024, which collectively comprise the Department's financial statements, and we have issued our report thereon dated November 15, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 24-02. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982,[1] such as those controls relevant to ensuring efficient operations.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations,

[1] Federal Managers' Financial Integrity Act of 1982, Public Law 97-255 (September 8, 1982).

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during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described below, that we consider to be significant deficiencies.

Significant Deficiencies

I. Property and Equipment

The Department reported more than $33 billion in net property and equipment on its FY 2024 consolidated balance sheet.[2] Real property consisted primarily of residential and functional facilities and capital improvements to these facilities. Personal property consisted of several asset categories, including aircraft, vehicles, security equipment, communication equipment, and software. Weaknesses in property and equipment were initially reported during the audit of the Department's FY 2005 financial statements. In FY 2024, the Department's internal control structure continued to exhibit several deficiencies that negatively affected the Department's ability to account for property in a complete, accurate, and timely manner. We concluded that the combination of property-related control deficiencies was a significant deficiency. The individual deficiencies we identified are summarized as follows:

- Construction-in-Progress – Financial information from the International Boundary and Water Commission, United States and Mexico, U.S. Section (USIBWC), is required to be consolidated into the Department's financial statements. USIBWC manages flood control systems, dams, and hydroelectric power plant facilities along the U.S. and Mexican border. As of September 30, 2023, USIBWC reported that it managed over $63 million in construction projects.[3] Construction costs for projects that meet a "capitalization threshold" should be recorded as construction-in-progress (CIP), an asset account. Once a construction project is substantially complete, an organization should transfer the cost of the project to a different asset account, so the asset can be depreciated.[4]

  We noted several USIBWC projects included in CIP that had no activity for an extended period of time. USIBWC was unable to provide documentation demonstrating that the CIP amounts were accurately reported. With the assistance of the Department, USIBWC analyzed its CIP amounts and identified 56 projects that were inaccurately recorded.

[2] The property and equipment financial statement balance includes leases. During FY 2024, the Department implemented a new standard related to accounting for leases. The standard requires agencies to record both assets and liabilities for applicable leases. We have included issues identified related to the implementation of the new lease standard as a separate significant deficiency.
[3] Construction-in-Progress projects could include new construction, real property renovations, or improvements to leased property.
[4] Depreciation is the allocation of the acquisition costs of an asset, less its estimated salvage value or residual value, over its estimated useful life. All capitalized assets should be depreciated except land.

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USIBWC reclassified some invalid CIP as expenses and other invalid CIP to an asset account for depreciation. We concluded that the adjustments to CIP were reasonable.

Although USIBWC had ad hoc procedures to account for construction costs, the procedures were not sufficient to ensure that construction costs were effectively monitored or that completed construction projects were transferred to the correct asset account when the projects were substantially complete. Additionally, USIBWC lacked sufficient internal controls to ensure that potentially invalid projects were monitored and resolved in a timely manner. Although Department officials provided USIBWC with accounting support once we communicated this issue to them, the Department did not have an effective, routine process to ensure that USIBWC's CIP amounts were accurate. Although USIBWC adjusted its FY 2024 accounts to correct CIP issues, future issues with USIBWC accounts may go undetected without effective coordination.

- Personal Property – The Department uses several nonintegrated systems to track, manage, and record personal property transactions. Information in the property systems is periodically merged or reconciled with the financial management system to centrally account for the acquisition, disposal, and transfer of personal property. We identified a significant number of personal property transactions that were not recorded in the correct fiscal year. In addition, we found that the acquisition value recorded for numerous selected items could not be supported or was incorrect. Furthermore, we found that the gain or loss recorded for some personal property disposals was not recorded properly. The Department's internal control structure did not ensure that personal property acquisitions, disposals, and transfers were recorded in a complete, timely, and accurate manner. In addition, the Department's monitoring activities were not effective to ensure proper financial reporting for personal property. The errors resulted in misstatements to the Department's prior year financial statements. Furthermore, the lack of effective controls may result in the loss of accountability for asset custodianship, which could lead to undetected theft or waste.

- Software – Federal agencies use various types of software applications, called internal use software (IUS), to conduct business. Applications in the development phase are considered software in development (SID). Agencies are required to report software as property in their financial statements. We identified instances in which the data recorded for SID were unsupported. We also identified instances in which completed projects were not transferred from SID to IUS in a timely manner. Additionally, we identified two software projects that should have been identified as SID or IUS; however, the Department inaccurately recorded costs related to these projects as operating expenses. One reason this occurred was that the Department's quarterly data call process relied on the responsiveness and understanding of individual project owners or managers, not all of whom fully understood the accounting requirements for reporting SID and IUS. Additionally, the Department did not have an effective process to confirm that information provided by project managers was complete, accurate, and

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supported. Furthermore, the Department lacked an effective process to ensure that software initiatives that met the Department's criteria for capitalization were properly classified at the start of the project. The errors resulted in misstatements to the Department's financial statements.

- Heritage Assets – Heritage assets are assets that are unique because of historical or natural significance; are of cultural, educational, or artistic importance; or have significant architectural characteristics. The Department maintains nine separate collections of heritage assets. Each collection maintains a listing of its heritage assets. Those assets are reported as a note in the Department's annual financial statements. We identified almost 250 heritage assets in one heritage asset collection that had been installed at a post but that had not been properly reported in the property tracking system. The Department lacked sufficient controls to ensure that the note related to heritage assets was complete and accurate. Specifically, personnel did not always follow Department policies related to entering assets in the property accounting system in an accurate and timely manner. As a result, the Department's heritage asset note for the FY 2023 and FY 2024 financial statements was misstated.

II. Leases

The Department manages more than 16,000 real property leases throughout the world, including office and functional properties and residential units. In FY 2024, the Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standards (SFFAS) 54, "Leases," became effective, which significantly changed the requirements for reporting federal agencies' lease inventories. Specifically, SFFAS 54 requires federal agencies to recognize an asset and liability related to leases at the commencement of the lease term, unless the lease meets certain exclusion criteria. To comply with SFFAS 54, the Department recorded approximately $3 billion of leases as property in its FY 2024 financial statements.

We analyzed whether the Department's lease calculation methodology was reasonably designed. We also tested samples of leases to assess the accuracy and completeness of the Department's reported beginning balance. We identified a significant number of exceptions during our testing, including instances in which data used to calculate the recorded lease asset and liability amounts were not supported by lease agreements. Although the Department took steps to improve the quality and completeness of its lease inventory data, the Department's processes were not always effective. Lease information is entered into the lease tracking systems by staff at more than 200 overseas locations. These employees had varying levels of understanding regarding when and how to record the lease data. In addition, supervisory reviews of the lease calculations were not always effective. The Department adjusted its financial statements and notes to address the errors that we identified during the audit.

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III. Validity and Accuracy of Unliquidated Obligations

Unliquidated obligations (ULO) represent the cumulative amount of orders, contracts, and other binding agreements for which the goods and services that were ordered have not been received or the goods and services have been received but payment has not yet been made. The Department's policies and procedures provide guidance that requires allotment holders to perform at least monthly reviews of ULOs. Weaknesses in controls over ULOs were initially reported during the audit of the Department's FY 1997 financial statements. We continued to identify invalid ULOs based on expired periods of performance, inactivity, lack of supporting documentation, and the inability to support bona fide need.

During FY 2024, the Department took steps to remediate long-standing ULO validity issues. However, the scope of the Department's ULO review does not include all ULOs. For example, ULOs that do not meet the review categories established by the Department continue to be a risk for invalidity. Furthermore, not all allotment holders were performing periodic reviews of ULO balances as required. The Department adjusted its FY 2024 financial statements to address the invalid ULOs that we identified during the audit. In addition, funds that could have been used for other purposes may have remained open as invalid ULOs, and the risk of duplicate or fraudulent payments increased.

IV. Financial Reporting

Weaknesses in controls over financial reporting were initially reported during the audit of the Department's FY 2019 financial statements. During FY 2024, we continued to identify control limitations and concluded that financial reporting remained a significant deficiency. In some cases, appropriated funds are required to be transferred to other agencies for programmatic execution (referred to as "child funds"). Despite transferring these funds to another agency, the Department is required to report on the use and status of child funds in its financial statements.

During FY 2024, the Department made significant child fund transfers to three agencies. To obtain audit coverage of the Department's most significant child funds, we requested that the financial statements auditors of two of the three agencies perform certain audit steps. The auditor for one agency identified some invalid ULOs. In addition, during our FY 2021 financial statement audit, we requested that the Department obtain detailed financial information from the third agency. We found that the data provided by this agency were not complete or accurate and did not reconcile to the agency's trial balance data. During our FY 2024 financial statement audit, Department officials stated that this agency continued to be unable to provide transaction-level data. One reason for the issues identified was that the Department did not have an effective, routine process to ensure that amounts reported by agencies receiving child funds were accurate. In addition, the Department did not have a routine process to ensure that transaction-level details were readily available from the other agencies and were auditable.

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Without an effective process to monitor child funds, there is a risk of errors in the Department's future financial statements.

V. Information Technology

The Department's information systems and electronic data depend on the confidentiality, integrity, and availability of the Department's comprehensive and interconnected IT infrastructure using various technologies around the globe. Therefore, it is critical that the Department manage information security risks effectively throughout the organization. The Department uses several financial management systems to compile information for financial reporting purposes. The Department's general support system, a component of its information security program, is the gateway for all the Department's systems, including its financial management systems. Generally, control deficiencies noted in the information security program are inherited by the systems that reside in it.

On behalf of the Office of Inspector General, we performed an audit of the Department's FY 2024 information security program, in accordance with the Federal Information Security Modernization Act of 2014 (FISMA).[5] During that audit,[6] we concluded that the Department did not have an effective organization-wide information security program. Specifically, we determined that eight of nine domains included in the "FY 2023-2024 Inspector General Federal Information Security Modernization Act of 2014 (FISMA) Reporting Metrics" were operating below an effective level. Some of the deficiencies identified that we determined had an impact on internal controls related to financial reporting were the lack of an effective process to authorize and reauthorize the Department's information systems to operate in a timely manner,[7] as well as ineffective processes to track and remediate identified vulnerabilities.

Without an effective information security program, the Department remains vulnerable to IT-centered attacks and threats to its critical mission-related functions. Information security program weaknesses can affect the integrity of financial applications, which increases the risk that sensitive financial information could be accessed by unauthorized individuals or that financial transactions could be altered, either accidentally or intentionally. Information security program weaknesses and deficiencies increase the risk that the Department will be unable to report financial data accurately.

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[5] Public Law 113-283 (December 18, 2014), codified at Title 44 United States Code Chapter 35, Subchapter II, "Information Security."

[6] Office of Inspector General, *Audit of the Department of State FY 2024 Information Security Program* (AUD-IT-24-26, July 2024).

[7] According to the National Institute of Standards and Technology, Special Publication 800-37, rev. 2, "Risk Management Framework for Information Systems and Organizations, A System Life Cycle Approach for Security and Privacy" December 2018, page 91, an authorization to operate is "the official management decision given by a senior [f]ederal official or officials to authorize operation of an information system and to explicitly accept the risk to agency operations (including mission, functions, image, or reputation), agency assets, individuals, other organizations, and the Nation based on the implementation of an agreed-upon set of security and privacy controls."

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We considered the weaknesses and deficiencies identified during the FISMA audit to be a significant deficiency within the scope of the FY 2024 financial statements audit. We have reported weaknesses and deficiencies in IT security controls as a significant deficiency annually since our audit of the Department's FY 2009 financial statements.

During the audit, we noted certain additional matters involving internal control over financial reporting that we will report to Department management in a separate letter.

Status of Prior Year Findings

In the Independent Auditor's Report on Internal Control Over Financial Reporting that was included in the audit report on the Department's FY 2023 financial statements,[8] we noted several issues related to internal control over financial reporting. The statuses of the FY 2023 internal control findings are summarized in Table 1.

Table 1. Status of Prior Year Findings

Control Deficiency	FY 2023 Status	FY 2024 Status
Property and Equipment	Significant Deficiency	Significant Deficiency
Validity and Accuracy of Unliquidated Obligations	Significant Deficiency	Significant Deficiency
Financial Reporting	Significant Deficiency	Significant Deficiency
Information Technology	Significant Deficiency	Significant Deficiency

Department's Response to Findings

The Department provided its response to our findings in a separate letter included in this report as Appendix A. We did not audit management's response, and accordingly, we express no opinion on it.

[8] Office of Inspector General, *Independent Auditor's Report on the U.S. Department of State FY 2023 and FY 2022 Financial Statements* (AUD-FM-24-07, November 2023).

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Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 24-02 in considering the Department's internal control over financial reporting. Accordingly, this report is not suitable for any other purpose.

Kearney & Company

Alexandria, Virginia
November 15, 2024

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS, REGULATIONS, CONTRACTS, AND GRANT AGREEMENTS

To the Secretary of the U.S. Department of State and the Inspector General:

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 24-02, "Audit Requirements for Federal Financial Statements," the financial statements and the related notes to the financial statements of the U.S. Department of State (Department) as of and for the year ended September 30, 2024, which collectively comprise the Department's financial statements, and we have issued our report thereon dated November 15, 2024.

Report on Compliance

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of the Department's compliance with provisions of applicable laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts and disclosures, including the provisions referred to in Section 803(a) of the Federal Financial Management Improvement Act of 1996 (FFMIA).[1] We limited our tests of compliance to these provisions and did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the Department. However, providing an opinion on compliance with those provisions was not an objective of our audit; accordingly, we do not express such an opinion.

The results of our tests, exclusive of those related to FFMIA, disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and OMB Bulletin No. 24-02. Specifically, we noted noncompliance with the Prompt Payment Act.[2] This Act requires federal agencies to make payments in a timely manner, pay interest penalties when payments are late, and take discounts only when payments are made within the discount period. We determined that the Department did not consistently calculate or pay interest penalties for overdue payments to overseas vendors or international organizations. The Department was unable to provide legal justification exempting the Department from paying interest penalties for payments to these types of entities. Conditions impacting the Department's compliance with the Prompt Payment Act have been reported annually since our FY 2009 audit.

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[1] Federal Financial Management Improvement Act of 1996, Public Law 104-208 (September 30, 1996).
[2] 31 United States Code Chapter 39, "Prompt Payment."

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The results of our tests of compliance with FFMIA disclosed no instances in which the Department's financial management systems did not comply substantially with Section 803(a) requirements related to federal financial management system requirements, applicable federal accounting standards, or application of the United States Standard General Ledger at the transactional level.

Department's Response to Findings

The Department provided its response to our findings in a separate letter included in this report as Appendix A. We did not audit management's response, and accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of compliance with provisions of applicable laws, regulations, contracts, and grant agreements and the results of that testing, and not to provide an opinion on the effectiveness of the Department's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 24-02 in considering the Department's compliance. Accordingly, this report is not suitable for any other purpose.

Kearney & Company

Alexandria, Virginia
November 15, 2024

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Appendix A

United States Department of State

Comptroller

Washington, DC 20520

UNCLASSIFIED
MEMORANDUM

November 15, 2024

TO: OIG – Cardell K. Richardson, Sr., Inspector General

FROM: CGFS – James A. Walsh, Comptroller

SUBJECT: Draft Report on the Department of State's Fiscal Year 2024 Financial Statements

This memo is in response to your request for comments on the draft report of the Independent Auditor's Report on Internal Control Over Financial Reporting, and Report on Compliance with Applicable Provisions of Laws, Regulations, Contracts, and Grant Agreements.

As you are aware, the scale and complexity of Department activities and corresponding financial management operations and requirements are immense. The Department does business in more than 270 locations. The more than 180 countries in which we operate include some extraordinarily challenging environments. These factors are a backdrop as we work diligently to maintain and operate an efficient and transparent financial management platform in support of the Department's and U.S. Government's essential foreign affairs mission.

We value accountability in all we do, and the discipline of the annual external audit process and the issuance of the Department's audited financial statements represent our commitment to this accountability to the American people. I'm sure few outside the financial management community fully realize the time and effort that go into producing the audit and the Agency Financial Report. The collaboration, issues resolution, and pursuit to strengthen our financial management across all parties is outstanding. We extend our sincere thanks for the commitment by all parties, including the OIG and Kearney & Company, to work together constructively and within a concentrated timeframe to complete the comprehensive audit process. This is especially true with the Department's implementation of SFFAS No. 54, which enhances lease reporting transparency through new internal controls, policies, and systems for our global lease portfolio. We know there always will be new challenges and concerns given our global operating environment and scope of compliance requirements. The overall results of the audit reflect the continuous diligence and strong performance we strive to achieve in the Bureau of the Comptroller and Global Financial Services (CGFS) and across the Department's financial management community.

We are pleased to learn the Independent Auditor's Report concludes the Department has received an unmodified ("clean") audit opinion on its FY 2024 and FY 2023 principal financial statements. Moreover, the audit reflects no material weaknesses.

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We remain committed to strong corporate governance and internal controls as demonstrated by our robust system of internal controls. This framework is overseen by our Senior Assessment Team (SAT) and Management Control Steering Committee (MCSC), with senior leadership providing validation. We appreciate the OIG's participation in both the SAT and MCSC discussions. For FY 2024, no material weaknesses in internal controls were identified by senior leadership. As a result, the Secretary was able to provide an unmodified Statement of Assurance for the Department in accordance with the Federal Managers' Financial Integrity Act and the Federal Financial Management Improvement Act.

We recognize there is more to be done, and the items identified in the Draft Report will demand additional action to achieve further improvement. We look forward to working with you, Kearney & Company, and other stakeholders to address these issues in the coming year.

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Introducing the Principal Financial Statements

The Principal Financial Statements (Statements) have been prepared to report the financial position, financial condition, and results of operations of the U.S. Department of State (Department). The Statements have been prepared from the books and records of the Department in accordance with generally accepted accounting principles (GAAP) for Federal entities and the formats prescribed by the U.S. Office of Management and Budget (OMB) in OMB Circular A-136, *Financial Reporting Requirements*, revised. The Statements are in addition to financial reports prepared by the Department in accordance with OMB and U.S. Department of the Treasury (Treasury) directives to monitor and control the status and use of budgetary resources, which are prepared from the same books and records. The Statements should be read with the understanding that they are for a component of the U.S. Government, a sovereign entity. The Department has no authority to pay liabilities not covered by budgetary resources. Liquidation of such liabilities requires enactment of an appropriation. Comparative data for 2023 are included.

Unless otherwise designated, all use of a year indicates fiscal year, e.g., 2024 equals Fiscal Year 2024. With the exception of the Combined Statements of Budgetary Resources, the Statements present the consolidated totals for the Department, net of intra-departmental transactions.

The **Consolidated Balance Sheets** provide information on assets, liabilities, and net position.

The **Consolidated Statements of Net Cost** report the components of the net costs of the Department's operations for the period by strategic goal (SG). The net cost of operations consists of the gross cost incurred by the Department less any exchange (i.e., earned) revenue from our activities.

The **Consolidated Statements of Changes in Net Position** report the beginning net position, the transactions that affect net position for the period, and the ending net position.

The **Combined Statements of Budgetary Resources** provide information on how budgetary resources were made available and their status at the end of the year. Information in these Statements are reported on the budgetary basis of accounting.

The **Required Supplementary Information** (RSI) includes information required to accompany the basic consolidated financial statements. For Federal entities, RSI is unaudited but subject to certain procedures specified by *Government Auditing Standards*. The RSI contains a Combining Statement of Budgetary Resources (providing supplemental information on the amounts aggregated for the **Combined Statements of Budgetary Resources**), along with disclosures on deferred maintenance and repairs, and land.

CONSOLIDATED BALANCE SHEETS *(dollars in millions)*

As of September 30,	Notes	2024	2023
ASSETS			
Intragovernmental Assets:			
Fund Balance with Treasury	3	$ 67,918	$ 68,365
Investments, Net	4	22,230	21,614
Accounts Receivable, Net	5	110	38
Advances and Prepayments	7	1,729	1,362
Other Assets	8	249	—
Total Intragovernmental Assets		92,236	91,379
Other than Intragovernmental Assets:			
Accounts Receivable, Net	5	176	98
General Property and Equipment, Net	6	33,727	30,073
Advances and Prepayments	7	1,025	862
Other Assets			
Lease Receivable	8, 12	26	—
Cash and Other Monetary Assets	8	6	8
Inventory and Related Property, Net	8	11	10
Loans Receivable, Net	8	5	1
Total Other than Intragovernmental Assets		34,976	31,052
Total Assets		**$ 127,212**	**$ 122,431**
Stewardship Property and Equipment – Heritage Assets	6		
LIABILITIES			
Intragovernmental Liabilities:			
Accounts Payable		$ 194	$ 203
Advances from Others and Deferred Revenue		628	344
Other Liabilities	9	170	78
Total Intragovernmental Liabilities		992	625
Other than Intragovernmental Liabilities:			
Accounts Payable			
International Organizations Liability	11	487	593
Other Accounts Payable		2,320	2,541
Federal Employee Salary, Leave, and Benefits Payable	10	980	891
Pension and Post-Employment Benefits Payable	10	36,466	35,208
Advances from Others and Deferred Revenue		78	73
Other Liabilities			
International Organizations Liability	9, 11	3,068	2,881
Lease Liability	9, 12	2,879	—
Environmental and Disposal Liability	9	51	52
Other	9	758	788
Total Other than Intragovernmental Liabilities		47,087	43,027
Total Liabilities		**48,079**	**43,652**
Contingencies and Commitments	13		
NET POSITION			
Unexpended Appropriations			
Funds from Dedicated Collections	14	—	—
Funds from Other than Dedicated Collections		48,281	49,716
Total Unexpended Appropriations		48,281	49,716
Cumulative Results of Operations			
Funds from Dedicated Collections	14	5,726	4,799
Funds from Other than Dedicated Collections		25,126	24,264
Total Cumulative Results of Operations		30,852	29,063
Total Net Position		**79,133**	**78,779**
Total Liabilities and Net Position		**$ 127,212**	**$ 122,431**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF NET COST (Note 15) ***(dollars in millions)***

For the Years Ended September 30,	2024	2023
SG1: Renew U.S. leadership and mobilize coalitions to address the global challenges that have the greatest impact on Americans' security and well-being.		
Gross Costs	$ 24,728	$ 22,210
Earned Revenue	(717)	(723)
Net Program Costs	24,011	21,487
SG2: Promote global prosperity and shape an international environment in which the United States can thrive.		
Gross Costs	2,227	2,373
Earned Revenue	(388)	(382)
Net Program Costs	1,839	1,991
SG3: Strengthen democratic institutions, uphold universal values, and promote human dignity.		
Gross Costs	3,610	3,608
Earned Revenue	(399)	(388)
Net Program Costs	3,211	3,220
SG4: Revitalize the diplomatic and development workforce and institutions.		
Gross Costs	11,090	11,666
Earned Revenue	(2,763)	(2,551)
Net Program Costs	8,327	9,115
SG5: Serve U.S. Citizens around the world and facilitate secure international travel.		
Gross Costs	6,277	5,799
Earned Revenue	(5,981)	(5,924)
Net Program Revenue/Costs	296	(125)
Net Program Costs Before Assumption Changes	**37,684**	**35,688**
Actuarial Gain on Pension Assumption Changes (Notes 1 and 10)	(339)	(233)
Net Program Costs Including Assumption Changes	37,345	35,455
Cost Not Assigned to Programs		
Gross Costs	168	25
Earned Revenue	(1)	(2)
Net Costs	167	23
Total Gross Costs	**47,761**	**45,448**
Total Earned Revenue	**(10,249)**	**(9,970)**
Net Cost of Operations	**$ 37,512**	**$ 35,478**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION *(dollars in millions)*

For the Years Ended September 30,	2024				2023
	Funds from Dedicated Collections (Consolidated Totals)	Funds from Other than Dedicated Collections (Consolidated Totals)	Intra-Departmental Eliminations	Consolidated Total	Consolidated Total
Unexpended Appropriations					
Beginning Balances	$ —	$ 49,716	$ —	$ 49,716	$ 46,992
Appropriations Received	—	38,673	—	38,673	36,194
Appropriations Transferred In(Out)	—	(318)	—	(318)	3,025
Other Adjustments	—	(522)	—	(522)	(296)
Appropriations Used	—	(39,268)	—	(39,268)	(36,199)
Net Change in Unexpended Appropriations	—	(1,435)	—	(1,435)	2,724
Total Unexpended Appropriations: Ending	**$ —**	**$ 48,281**	**$ —**	**$ 48,281**	**$ 49,716**
Cumulative Results of Operations					
Beginning Balances	$ 4,799	$ 24,264	$ —	$ 29,063	$ 28,236
Adjustments	—	(4)	—	(4)	—
Beginning Balances, as Adjusted	4,799	24,260	—	29,059	28,236
Other Adjustments	—	(13)	—	(13)	(25)
Appropriations Used	—	39,268	—	39,268	36,199
Donations and Forfeitures of Cash and Cash Equivalents	30	—	—	30	21
Transfers In(Out) Without Reimbursement	55	(120)	—	(65)	158
Donations and Forfeitures of Property	1	—	—	1	33
Imputed Financing	104	261	(52)	313	274
Non-Entity Collections	—	(229)	—	(229)	(355)
Net Cost of Operations	737	(38,301)	52	(37,512)	(35,478)
Net Change in Cumulative Results of Operations	927	866	—	1,793	827
Total Cumulative Results of Operations: Ending	**5,726**	**25,126**	**—**	**30,852**	**29,063**
Net Position	**$ 5,726**	**$ 73,407**	**$ —**	**$ 79,133**	**$ 78,779**

The accompanying notes are an integral part of these statements.

COMBINED STATEMENTS OF BUDGETARY RESOURCES (Note 16) ***(dollars in millions)***

For the Years Ended September 30,	2024	2023
Budgetary Resources:		
Unobligated Balance from Prior Year Budget Authority, Net	$ 34,644	$ 34,098
Appropriations (Discretionary and Mandatory)	43,829	42,239
Borrowing Authority (Discretionary and Mandatory)	2	2
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	8,746	8,172
Total Budgetary Resources	**$ 87,221**	**$ 84,511**
Status of Budgetary Resources:		
New Obligations and Upward Adjustments (Total)	$ 57,491	$ 51,785
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	28,204	30,796
Exempt from Apportionment, Unexpired Accounts	500	479
Unapportioned, Unexpired Accounts	338	444
Unexpired Unobligated Balance, End of Year	29,042	31,719
Expired Unobligated Balance, End of Year	688	1,007
Unobligated Balance, End of Year (Total)	29,730	32,726
Total Budgetary Resources	**$ 87,221**	**$ 84,511**
Outlays, Net:		
Outlays, Net (Total) (Discretionary and Mandatory)	$ 45,259	$ 40,797
Distributed Offsetting Receipts (-)	(6,307)	(6,166)
Agency Outlays, Net (Discretionary and Mandatory)	**$ 38,952**	**$ 34,631**

The accompanying notes are an integral part of these statements.

Notes to the Principal Financial Statements

Organization

In 1789, Congress established the U.S. Department of State (Department of State or Department), the senior Executive Branch department of the U.S. Government. The Department advises the President in the formulation and execution of U.S. foreign policy. The head of the Department, the Secretary of State, is the President's principal advisor on foreign affairs.

For further discussion on consolidated entities and disclosure entities in accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 47, *Reporting Entity*, see Note 2, Disclosure Entities and Related Parties.

The Department is a component of the U.S. Government. For this reason, some of the assets and liabilities reported by the Department may be eliminated for Government-wide reporting because they are offset by assets and liabilities of another U.S. Government entity. These financial statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

1 Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Consolidation

The accompanying principal financial statements present the financial activities and position of the Department. The statements include all General, Special, Revolving, Trust, and Deposit funds established at the Treasury to account for the resources entrusted to Department management, or for which the Department acts as a fiscal agent or custodian (except fiduciary funds, see Note 18, Fiduciary Activities).

Included in the Department's reporting entity as a consolidation entity is the U.S. Section of the International Boundary and Water Commission (IBWC). Treaties in 1848, 1853, and 1970 established the boundary between the United States and Mexico that extends 1,954 miles, beginning at the Gulf of Mexico, following the Rio Grande 1,255 miles and eventually ending at the Pacific Ocean below California. Established in 1889, the IBWC is responsible for applying the boundary and water treaties between the United States and Mexico and settling differences that may arise in their application.

B. Basis of Presentation and Accounting

The consolidated financial statements are prepared as required by the Chief Financial Officers (CFO) Act of 1990 and the Government Management Reform Act of 1994. They are presented in accordance with the form and content requirements of OMB Circular A-136, *Financial Reporting Requirements*, revised.

The statements have been prepared from the Department's records, and are in accordance with the Department's Accounting Policies (the significant policies are summarized in this Note). The Department's Accounting Policies follow GAAP for Federal entities, as prescribed by the Federal Accounting Standards Advisory Board (FASAB). FASAB's SFFAS No. 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*, incorporates the GAAP hierarchy into FASAB's authoritative literature.

Throughout the financial statements and notes, certain assets, liabilities, earned revenue, and costs have been classified as intragovernmental, which is defined as transactions made between two reporting entities within the Federal Government. Concurrently, the term "other than intragovernmental" refers to amounts that are not intragovernmental. That is to say, such amounts are "with the public."

Transactions are recorded on both an accrual and budgetary basis. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when incurred without regard to receipt or payment of cash. Budgetary accounting principles, on the other hand, are designed to facilitate compliance with the legal requirements, controls, monitoring, and reporting on the use of Federal funds.

SFFAS No. 56, *Classified Activities*, requires all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

C. Revenues and Other Financing Sources

As a component of a Government-wide reporting entity, the Department is subject to the Federal budget process, which involves appropriations that are provided annually and appropriations that are provided on a permanent basis. The financial transactions that are supported by budgetary resources, which include appropriations, are generally the same transactions reflected in agency and the Government-wide financial reports.

Liabilities not covered by budgetary resources require future congressional action whereas liabilities covered by budgetary resources reflect prior congressional action. The reporting entity's budgetary resources reflect past congressional action and enable the entity to incur budgetary obligations, but they do not reflect assets to the Government as a whole. Budgetary obligations are legal obligations for goods, services, or amounts to be paid based on statutory provisions. After budgetary obligations are incurred, Treasury will make disbursements to liquidate the budgetary obligations and finance those disbursements in the same way it finances all disbursements, using some combination of receipts, other inflows, and borrowing from the public if there is a budget deficit.

Department operations are financed through appropriations, reimbursement for the provision of goods or services to other Federal agencies, proceeds from the sale of property, consular-related and other fees, and donations. In addition, the Department collects passport, visa, and other consular fees that are not retained by the Department. These fees are deposited directly to a Treasury account. The passport and visa fees are reported as earned revenues on the Statements of Net Cost, with offsetting non-entity collections in other financing sources on the Statements of Changes in Net Position.

Congress annually enacts one-year and multi-year appropriations that provide the Department with the authority to obligate funds within the respective fiscal years for necessary expenses to carry out mandated program activities. In addition, Congress enacts appropriations that are available until expended. All appropriations are subject to congressional restrictions and most appropriations are subject to OMB apportionment. For financial statement purposes, appropriations are recorded as a financing source (i.e., Appropriations Used) and reported on the Statements of Changes in Net Position at the time they are recognized as expenditures. Appropriations expended for capitalized property and equipment are recognized when the asset is purchased.

Work performed for other Federal agencies under reimbursable agreements is financed through the account providing the service and reimbursements are recognized as revenue when earned. Deferred revenue consists of monies received for goods and services that have not yet been provided or rendered by the Department. Administrative support services at overseas posts are provided to other Federal agencies through the International Cooperative Administrative Support Services (ICASS). ICASS bills for the services it provides to agencies at overseas posts. These billings are recorded as revenue to ICASS and must cover overhead costs, operating expenses, and replacement costs for capital assets needed to carry on the operation. Proceeds from the sale of real property, vehicles, and other personal property are recognized as revenue when the proceeds are credited to the account that funded the asset. For non-capitalized property, the full amount realized is recognized as revenue. For capitalized property, gain or loss is determined by whether the proceeds received were more or less than the net book value of the asset sold. The Department retains the sale proceeds, which are available for purchase of the same or similar category of property.

The Department is authorized to collect and retain certain user fees for machine-readable visas, expedited passport processing, and fingerprint checks on immigrant visa applicants. The Department is authorized to credit the respective appropriations with (1) fees for the use of Blair House; (2) lease payments and transfers from the International Center Chancery Fees Held in Trust to the International Center Project; (3) registration fees for the Office of Defense Trade Controls; (4) reimbursement for international litigation expenses; and (5) reimbursement for training foreign government officials at the Foreign Service Institute.

Generally, donations received in the form of cash or financial instruments are recognized as revenue at their fair value in the period received. Contributions of services are recognized if the services received (1) create or enhance non-financial assets, or (2) require specialized skills that are provided by individuals possessing those skills, which would typically need to be purchased if not donated. Works of art, historical treasures, and similar assets that are added to collections are not recognized as revenue at the time of donation because they are considered heritage assets. If subsequently sold, the proceeds are recognized in the year of sale. See *Note 15, Statements of Net Cost*.

D. Allocation Transfers

Allocation transfers are legal delegations by one Federal agency to obligate budget authority and outlay funds to another agency. The Department processes allocation transfers with other Federal agencies as both a transferring (parent) agency of budget authority to a receiving (child) entity and as a receiving (child) agency of budget authority from a transferring (parent) entity. A separate fund account (allocation account) is created by Treasury as a subset of the parent fund account for tracking and reporting purposes. Subsequent obligations and outlays incurred by the child agency are charged to this allocation account as they execute the delegated activity on behalf of the parent agency.

Generally, all financial activities related to allocation transfers are reported in the financial statements of the parent agency. Transfers from the Executive Office of the President, for which the Department is the receiving agency, is an exception to this rule. Per OMB guidance, the Department reports all activity relative to these allocation transfers in its financial statements. The Department allocates funds, as the parent, to the U.S. Department of Defense, U.S. Department of Labor (DOL), and U.S. Department of Health and Human Services (HHS); the Peace Corps; the Millennium Challenge Corporation; and the U.S. Agency for International Development (USAID). In addition, the Department receives allocation transfers, as the child, from USAID.

E. Fund Balance with Treasury and Cash and Other Monetary Assets

Fund Balance with Treasury is an asset of the Department and a liability of the General Fund. The amount is the unexpended balances of appropriation accounts, trust accounts, and revolving funds. It is available to finance authorized commitments relative to goods, services, and benefits, but it does not represent net assets to the Government as a whole.

The Department does not maintain cash in commercial bank accounts for the funds reported in the Consolidated Balance Sheets, except for the Emergencies in the Diplomatic and Consular Services. Treasury processes domestic cash receipts and disbursements on behalf of the Department and the Department's accounting records are reconciled with those of Treasury monthly.

The Department operates two Financial Service Centers located in Bangkok, Thailand and Charleston, South Carolina, United States. These provide financial support for the Department and other Federal agencies' operations overseas. The U.S. disbursing officer at each Center has the delegated authority to disburse funds on behalf of the Treasury. See *Note 3, Fund Balance with Treasury*.

F. Accounts Receivable, Net

Accounts Receivable consist of Intragovernmental Accounts Receivable and non-Federal Accounts Receivable. Intragovernmental Accounts Receivable are amounts owed the Department from other Federal agencies for ICASS services, reimbursable agreements, and Working Capital Fund services. Accounts Receivable from non-Federal entities consist of amounts owed the Department for civil monetary fines and penalties, outstanding Value Added Tax (VAT) reimbursements, and receivables for Mexico's share of IBWC activities. Civil monetary fines and penalties are assessed on individuals for infractions such as violating the terms and munitions licenses, exporting unauthorized defense articles and services, and violating manufacturing licenses agreements. VAT receivables relate to taxes paid on overseas purchases in which the Department has reimbursable agreements with the country for the taxes it pays. The U.S. and Mexican Governments generally share the costs of IBWC projects in proportion to their respective benefits in cases of projects for mutual control and utilization of the waters of a boundary river, unless the Governments have predetermined by treaty the division of costs according to the nature of a project.

Accounts Receivable from non-Federal entities are subject to the full debt collection cycle and mechanisms, e.g., salary offset, referral to collection agents, and Treasury offset. In addition, delinquent Accounts Receivable from non-Federal entities are assessed interest, penalties, and administrative fees. Interest and penalties are assessed at the Current Value of Funds Rate established by Treasury. Accounts Receivable is reduced to net realizable value by an Allowance for Uncollectible Accounts, which is calculated using an aging methodology based on an analysis of past collections and write-offs. See *Note 5, Accounts Receivable, Net*.

G. Loans Receivable, Net

Loans Receivable from non-Federal entities primarily consist of amounts owed the Department for repatriation loans. The repatriation loans program provides emergency loans to assist destitute American citizens overseas who have no other source of funds to return to the United States. These loans assist return transportation, including food, temporary lodging, and medical expenses. The borrower executes a promissory note without collateral. Consequently, these loans are made anticipating a low rate of recovery. Interest, penalties, and administrative fees are assessed if the loan becomes delinquent. Loans Receivable from non-Federal entities are subject to the full debt collection cycle and mechanisms. To encourage repayment, the recipient's passport is restricted at the time the loan is granted to allow direct return to the United States only. The restriction remains in effect until the loan is repaid.

H. Advances and Prepayments

Payments made in advance of the receipt of goods and services are recorded as advances or prepayments, and recognized as expenses when the related goods and services are received. Prepayments are made principally to other Federal entities or lease holders for future services. Advances are made to Department employees for official travel, salary advances to Department employees transferring to overseas assignments, and other miscellaneous prepayments and advances for future services. Typically, USAID Federal assistance results in a net advance. See *Note 7, Advances and Prepayments*.

I. Investments, Net

The Department has several accounts that have the authority to invest cash resources. For these accounts, the cash resources not required to meet current expenditures are invested in interest-bearing obligations of the U.S. Government. These investments consist of U.S. Treasury special issues and securities. Special issues are unique public debt obligations for purchase exclusively by the Foreign Service Retirement and Disability Fund and for which interest is computed and paid semi-annually on June 30 and December 31. They are purchased and redeemed at par, which is their carrying value on the Consolidated Balance Sheets.

Investments by the Department's Foreign Service National Defined Contributions Fund, Gift Funds, Israeli Arab Scholarship Program, Eisenhower Exchange Fellowship Program, Center for Middle Eastern-Western Dialogue, and the International Chancery Center are in U.S. Treasury securities. Interest on these investments is paid semi-annually at various rates. These investments are reported at acquisition cost, which equals the face value net of unamortized discounts or premiums. Discounts and premiums are amortized over the life of the security using the straight-line method for Gift Funds' investments, and the effective interest method for the other accounts.

Interest earned on investments, but not received as of September 30, is recognized as interest receivable. See *Note 4, Investments, Net*.

J. General Property and Equipment, Net

Real Property

Real property assets primarily consist of facilities used for U.S. diplomatic missions abroad and capital improvements to these facilities, including unimproved land; residential and functional-use buildings such as embassy/consulate office buildings; office annexes and support facilities; and construction-in-progress. Title to these properties is held under various conditions including fee simple, restricted use, crown lease, and deed of use agreement. Some of these properties are considered historical treasures and are considered multi-use heritage assets. A heritage asset is considered a multi-use heritage asset if the predominant use of the asset is in general government operations. The cost of such items is capitalized as general property and equipment, depreciated over its estimated useful life, and reported on the Consolidated Balance Sheets, in *Note 6, General Property and Equipment, Net*, and in the *Heritage Assets* Section.

The Department also owns several domestic real properties, including the International Center (Washington, DC); the Charleston Financial Services Center (South Carolina); the Beltsville Information Management Center (Maryland); the Florida Regional Center (Ft. Lauderdale); and consular centers in Charleston, South Carolina and Williamsburg, Kentucky. The Foreign Missions Act authorizes the Department to facilitate the secure and efficient operation of foreign missions in the United States. The Act established the Office of Foreign Missions to manage acquisitions, including leases, and sales of real property by foreign missions. In certain cases, based on reciprocity, the Department owns real property in the United States that is used by foreign missions for diplomatic purposes. The IBWC owns buildings and structures related to its boundary preservation, flood control, and sanitation programs.

Buildings and structures are carried principally at either actual or estimated historical cost. Buildings and structures received by donation are recorded at estimated fair market value. The Department capitalizes all costs for constructing new buildings and building acquisitions regardless of cost, and all other improvements of $1 million or more. Costs incurred for constructing new facilities, major rehabilitations, or other improvements in the design or construction stage are recorded as construction-in-progress. After these projects are substantially complete, costs are transferred to Buildings and Structures or Leasehold Improvements, as appropriate. Depreciation is computed on a straight-line basis over the asset's estimated life and begins when the property is placed into service. The estimated useful lives for real property are as follows:

Asset Category	Estimated Useful Life
Land Improvements	30 years
Buildings and Structures	10 to 50 years
Assets Under Capital Lease (2023 only)	Lease term or 30 years
Right-to-Use Leases	Lesser of lease term or 30 years
Leasehold Improvements	Lesser of lease term or 10 years

Land is not a depreciable asset. The Department holds land predominantly for operational purposes and land costs are identified separately from the costs associated with Land Improvements, Buildings and Structures, and Leasehold Improvements built thereon.

Personal Property

Personal property consists of several asset categories including aircraft, vehicles, security equipment, communication equipment, IT equipment, reproduction equipment, and internal use software. The Department holds title to these assets, some of which are operated in unusual conditions.

The Department's Bureau of International Narcotics and Law Enforcement Affairs (INL) uses aircraft to help eradicate the flow of illegal drugs. To accomplish its mission, INL maintains an aircraft fleet that is one of the largest Federal, nonmilitary fleets. Most of the aircraft are under direct INL air wing management. However, several aircraft are managed by host-countries. The Department holds title to most of the aircraft under these programs and requires congressional notification to transfer title for any aircraft to foreign governments. INL contracts with firms to provide maintenance support depending on whether the aircraft are INL air wing managed, or host-country managed. INL air wing managed aircraft are maintained to Federal Aviation

Administration standards that involve routine inspection, as well as scheduled maintenance and replacements of certain parts after given hours of use. Host-country managed aircraft are maintained to host-country requirements.

The Department also maintains a large vehicle fleet that operates overseas. Many vehicles require armoring for security reasons. For some locations, large utility vehicles are used instead of conventional sedans. In addition, the Department contracts with firms to provide support in strife-torn areas. Contractor support includes the purchase and operation of armored vehicles. Under the terms of the contracts, the Department has title to the contractor-held vehicles.

Personal property and equipment with an acquisition cost of $25,000 or more, and a useful life of two or more years, is capitalized at cost. Also, all vehicles are capitalized, as is internal use software with a cost of $3 million or more.

Except for contractor-held vehicles in Iraq, depreciation is calculated on a straight-line basis over the asset's estimated life and begins when the property is placed into service. Contractor-held vehicles in Iraq, due to the harsh operating conditions, are depreciated on a double-declining balance basis. The estimated useful lives for personal property follow:

Asset Category	Estimated Useful Life
Aircraft:	
INL air wing managed	10 years
Host-country managed	5 years
Vehicles:	
Department managed	3 to 6 years
Contractor-held in Iraq	2 1/2 years
Security Equipment	3 to 15 years
Communication Equipment	3 to 20 years
IT Equipment	3 to 6 years
Reproduction Equipment	3 to 15 years
Internal Use Software	Estimated useful life or 5 years

See *Note 6, General Property and Equipment, Net*.

Leases

The Department conducts business as both a lessee and a lessor. In its ordinary course of business, the Department enters leases as a lessee for property and equipment. Overseas real property, including land, buildings, and other facilities, is a significant portion of the Department's lease portfolio. In addition, the Department manages overseas real property leases on behalf of other Federal entities conducting business overseas. These leases are part of a housing pool used by Department and other Federal entity personnel assigned to a U.S. mission abroad under Chief of Mission authority. The Department is also the lessor of real property facilities overseas to non-intragovernmental and Federal entities and domestically to foreign governments.

Accounting for Leases as a Lessee:

A lease is defined as a contract or agreement whereby one entity (lessor) conveys the right to control the use of Property, Plant, and Equipment (the underlying asset) to another entity (lessee) for a period of time as specified in the contract or agreement in exchange for consideration.

Right to Use Leases - Effective October 1, 2023, all leases are recognized as right-to-use (RTU) lease assets and associated lease liabilities in the Consolidated Balance Sheets when the Department is the lessee with a non-intragovernmental entity unless the lease (1) meets certain scope exclusions (e.g., internal use software); (2) is a short-term lease (i.e., lease term of 24 months or less); or (3) contract or agreement transfers ownership.

The RTU lease asset equals the lease liability adjusted for any initial direct costs, prepaid rent, and lease incentives. Lease liabilities are recorded when the lease commences. The liability amount is the net present value of the lease payments not yet paid for the lease term using the Department's incremental borrowing rate, which approximates the

Treasury borrowing rate for securities of similar maturity to the term of the lease. The lease term includes options to extend since it is highly probable the Department exercises the options. The Department's future variable lease payments are typically tied to various indexes and the fair market rental value. Variable payments dependent on an index or a rate are measured using the index or rate when the lease commences. Substantially all overseas real property leases provide the Department the unilateral right to terminate the lease; however, this rarely occurs, in the normal course of business.

The Department remeasures a lease liability if any of the following changes, either individually or in the aggregate, significantly affect the amount of the lease liability: (1) a change in the lease term, (2) a change in the estimated amounts for payments already included in the liability, (3) a change in the incremental borrowing rate (e.g., due to a change in the lease term), (4) a change in the likelihood of a residual value guarantee being required, or (5) a change in the likelihood of a purchase option being exercised. Lease liabilities are not remeasured solely for a change in an index or rate used to determine variable payments or in the estimated incremental borrowing rate. If a lease liability is remeasured, the associated RTU lease asset generally is adjusted by the same amount.

The residential overseas leases in the housing pool are occupied by approximately 30 Federal entities. The Federal entity financially responsible for an individual lease in the housing pool changes as employee assignments change. Given the complexity and volume of the housing pool, the Department allocates and provides the RTU lease asset and related lease liability to other Federal entities based on each entity's share of the cost for the fiscal year.

The RTU lease assets are amortized on a straight-line basis over the lessor of the lease term or the useful life of the underlying asset, but not to exceed 30 years.

Other Leases, including Intragovernmental Leases and Short-Term Leases – The Department recognizes expenses for intragovernmental leases, short-term leases, and leases that transfer ownership when incurred. Expenses include lease-related operating costs (e.g., maintenance, utilities, or taxes). Prepaid rent or a payable for rent due is recognized as an asset or liability, respectively.

Accounting for Leases as a Lessor:

When the Department is the lessor and the lease is with a non-intragovernmental entity, the Department recognizes lease receivables and deferred revenues unless the lease (1) meets certain scope exclusions (e.g., internal use software); (2) is a short-term lease; or (3) transfers ownership.

The Department recognizes lease receipts, including lease-related operating costs (e.g., maintenance, utilities, or taxes) received from the lessee as income based on the provisions of the contract or agreement. Rent paid in advance is recognized as a liability and rent receivable is recognized as an asset. Income is recognized in the appropriate reporting period based on the lease provisions. Rental changes, lease incentives, and lease concessions are recognized when incurred as increases and reductions to lease rental expense and income, respectively.

The Department typically enters intragovernmental leases as a lessor as a means of accommodating the joint needs of the Department and other Federal entities. For example, Federal agencies may lease residential and non-residential space from the Department. Other federal entities reimburse the Department the lease costs in return for use of the properties. Lease payments due to the Department typically are the annual cost of the occupied property and are paid over the lease term. Lease payments are recorded as revenue, along with the related cost, in the period in which lease services are provided.

Capital Leases

Prior to October 1, 2023, leases were reported as capital leases if the net present value was $1 million or more and it met one of the following criteria: (1) the lease transferred ownership of the property by the end of the lease term; (2) the lease contained an option to purchase the property at a bargain price; (3) the lease term was equal to or greater than 75 percent of the estimated useful life of the property; or (4) at the inception of the lease, the present value of the minimum lease payment equaled or exceeded 90 percent of the fair value of the leased property. See *Note 12, Leases*.

Stewardship Property and Equipment – Heritage Assets

Stewardship Property and Equipment, or Heritage Assets, are assets that have historical or natural significance; are of cultural, educational, or artistic importance; or have significant architectural characteristics. They are generally considered priceless and are expected to be preserved indefinitely. As such, these assets are reported in terms of physical units rather than cost or other monetary values. See *Note 6, General Property and Equipment, Net*.

K. Grants

The Department awards educational, cultural exchange, and refugee assistance grants to various individuals, universities, and non-profit organizations. Budgetary obligations are recorded when grants are awarded. Grant funds are disbursed in two ways: grantees draw funds commensurate with their immediate cash needs via HHS' Payment Management System; or grantees request reimbursement for their expenditures.

L. Accounts Payable

Accounts payable represent the amounts owed for goods and services received but unpaid, and for unreimbursed grant expenditures. In addition to accounts payable recorded through normal business activities, unbilled payables are estimated based on historical data.

M. Accrued Annual, Sick, and Other Leave

Annual leave is accrued as a liability as it is earned by Department employees, and the accrual is reduced as leave is taken. Throughout the year, the balance in the accrued annual leave liability account is adjusted to reflect current pay rates. The amount of the adjustment is recorded as an expense. Current or prior year appropriations are not available to fund annual leave earned but not taken. Funding occurs in the year the leave is taken, and payment is made. Sick leave and other types of non-vested leave are expensed as leave is taken.

N. Employee Benefit Plans

Retirement Plans: Civil Service employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Members of the Foreign Service participate in either the Foreign Service Retirement and Disability System (FSRDS) or the Foreign Service Pension System (FSPS).

Employees covered under CSRS contribute 7 percent of their salary; the Department contributes 7 percent. Employees covered under CSRS also contribute 1.45 percent of their salary to Medicare insurance; the Department makes a matching contribution. On January 1, 1987, FERS went into effect pursuant to Public Law No. 99-335. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, were allowed to join FERS or remain in CSRS. Employees participating in FERS contribute 0.8 percent, 3.1 percent, or 4.4 percent (depending on date of hire) of their salary, with the Department making contributions of 18.4 percent or 16.6 percent. FERS employees also contribute 6.2 percent to Social Security and 1.45 percent to Medicare insurance. The Department makes matching contributions to both. A primary feature of FERS is that it offers a Thrift Savings Plan (TSP) into which the Department automatically contributes 1 percent of pay and matches employee contributions up to an additional 4 percent.

Foreign Service employees hired prior to January 1, 1984, participate in FSRDS, with certain exceptions. FSPS was established pursuant to Section 415 of Public Law No. 99-335, which became effective June 6, 1986. Foreign Service employees hired after December 31, 1983, participate in FSPS with certain exceptions. FSRDS employees contribute 7.25 percent of their salary; the Department contributes 7.25 percent. FSPS employees contribute 1.35 percent, 3.65 percent, or 4.95 percent of their base salary depending on their start date; the Department contributes 20.22 percent or 17.92 percent. FSRDS and FSPS employees contribute 1.45 percent of their salary to Medicare; the Department matches their contribution. FSPS employees also contribute 6.2 percent to Social Security; the Department makes a matching contribution. Similar to FERS, FSPS also offers the TSP.

Foreign Service National (FSN) employees at overseas posts who were hired prior to January 1, 1984, are covered under CSRS. FSN employees hired after that date are covered under a variety of local government plans in compliance with the host country's laws and regulations. In cases where the host country does not mandate plans or the plans are inadequate, employees are covered by plans that conform to the prevailing practices of comparable employers.

Health Insurance: Most American employees participate in the Federal Employees Health Benefits Program (FEHBP), a voluntary program that provides protection for enrollees and eligible family members in cases of illness and/or accident. Under FEHBP, the Department contributes the employer's share of the premium as determined by the U.S. Office of Personnel Management (OPM).

Life Insurance: Unless specifically waived, employees are covered by the Federal Employees' Group Life Insurance Program (FEGLIP). FEGLIP automatically covers eligible employees for basic life insurance in amounts equivalent to an employee's annual pay, rounded up to the next thousand dollars plus $2,000. The Department pays one-third and employees pay two-thirds of the premium. Additional coverage is optional, but the enrollee is responsible for the added cost.

Other Post Employment Benefits: The Department does not report CSRS, FERS, FEHBP, or FEGLIP assets, accumulated plan benefits, or unfunded liabilities applicable to its employees; as OPM reports this information. As required by SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, the Department reports the full cost of employee benefits for the programs that OPM administers. The Department recognizes an imputed cost and imputed financing source for the annualized unfunded portion of CSRS, post-retirement health benefits, and life insurance for employees covered by these programs.

O. Future Workers' Compensation Benefits

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to cover Federal employees injured on the job or who have incurred a work-related occupational disease, and to the beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases.

The DOL administers the FECA program, which pays valid claims and subsequently seeks reimbursement from the Department. The Department recognizes a liability for these claims. Additionally, DOL calculates an actuarial liability for estimated future workers' compensation benefit payments. The Department also recognizes an unfunded liability for these estimated future payments.

P. Foreign Service Retirement and Disability Fund

The Department manages the Foreign Service Retirement and Disability Fund (FSRDF). To ensure it operates on a sound financial basis, the Department retains an actuarial firm to perform a valuation to project if the Fund's assets together with the expected future contributions are adequate to cover the value of future promised benefits. To perform this valuation, the actuary projects the expected value of future benefits and the stream of expected future employer and employee contributions. The valuation serves as a basis for the determination of the needed employer contributions to the retirement fund and is based on a variety of economic assumptions, such as merit salary increases, and demographic expectations, such as mortality rates. Since both the economic and demographic experience change over time, it is essential to conduct periodic reviews of the actual experience and to adjust the assumptions in the valuation, as appropriate. The Department's actuary completes an Actuarial Experience Study approximately every five years to ensure the assumptions reflect the most recent experience and future expectations. The Department's latest study was completed in 2018. The economic assumptions changes from the experience study are different from the economic assumptions changes determined under SFFAS No. 33, *Pensions, Other Retirement Benefits, and Other Postemployment Benefits*. See *Note 10, Federal Employee Benefits Payable*.

Q. Foreign Service Nationals' After-Employment Benefits

Foreign Service National Defined Contributions Fund (FSN DCF): This fund provides retirement benefits for FSN employees in countries where the Department has made a public interest determination to discontinue participation in the Local Social Security System (LSSS) or deviate from other prevailing local practices. Title 22, Foreign Relations and Intercourse, Section 3968, Local Compensation Plans, provides the authority to the Department to establish such benefits as part of a total compensation plan for these employees.

Defined Benefit Plans: The Department has implemented various arrangements for defined benefit pension plans in other countries, for the benefit of some FSN employees. Some of these plans supplement the host country's equivalent to U.S. social security, others do not. While none of these supplemental plans are mandated by the host country, some are substitutes for optional tiers of a host country's social security system. The Department accounts for these plans under the provisions and guidance contained in International Accounting Standards (IAS) No. 19, *Employee Benefits*. IAS No. 19 provides a better structure for the reporting of these plans, which are established in accordance with local practices in countries overseas.

Lump Sum Retirement and Severance: Under some local compensation plans, FSN employees are entitled to receive a lump-sum separation payment when they resign, retire, or otherwise separate through no fault of their own. The amount of the payment is generally based on length of service, rate of pay at the time of separation, and the type of separation.

R. International Organizations Liability

The United States is a member of the United Nations (UN) and other international organizations and supports UN peacekeeping operations. As such, the United States either contributes to voluntary funds or an assessed share of the budgets and expenses of these organizations and activities. These payments are funded through congressional appropriations to the Department. The purpose of these appropriations is to ensure continued American leadership within those organizations and activities that serve important U.S. interests. Funding by appropriations for dues assessed for certain international organizations is not received until the fiscal year following assessment. These commitments are regarded as funded only when monies are authorized and appropriated by Congress. For financial reporting purposes, the amounts assessed, pledged, and unpaid are reported as liabilities of the Department. See *Note 11, International Organizations Liability*.

S. Contingent Liabilities

Contingent liabilities are liabilities where the existence or amount of the liability cannot be determined with certainty pending the outcome of future events. The Department recognizes contingent liabilities in the Balance Sheets and Statements of Net Cost for any losses considered both probable and reasonably estimable. In addition, contingent liabilities are disclosed in the notes to the financial statements when the conditions for liability recognition are unmet but reasonably possible. Contingent liabilities that are considered remote are not disclosed. The Department's contingent liabilities primarily relate to legal actions. Environmental and disposal liabilities are also included in contingent liabilities. See *Note 9, Other Liabilities*, and *Note 13, Contingencies and Commitments*.

T. Funds from Dedicated Collections

Funds from Dedicated Collections are financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities or purposes and must be accounted for separately from the Government's general revenues. See *Note 4, Investments, Net*, and *Note 14, Funds from Dedicated Collections*.

U. Net Position

The Department's net position contains the following components:

Unexpended Appropriations: Unexpended appropriations are the sum of undelivered orders and unobligated balances. Undelivered orders represent the obligations incurred for goods or services ordered, but not yet received. An unobligated balance is the amount available after deducting cumulative obligations from total budgetary resources. As obligations for goods or services are incurred, the available balance is reduced.

Cumulative Results of Operations: The cumulative results of operations include the accumulated difference between revenues and financing sources less expenses since inception and donations.

Net position of funds from dedicated collections is separately disclosed. See *Note 14, Funds from Dedicated Collections*.

V. Foreign Currency

Accounting records for the Department are maintained in U.S. dollars, while a significant amount of the Department's overseas financial transactions is made in foreign currencies. For accounting purposes, overseas obligations and disbursements are recorded in U.S. dollars based on the rate of exchange as of the date of the transaction. Foreign currency payments are made by the U.S. Disbursing Office.

W. Fiduciary Activities

Fiduciary activities are the collection or receipt, and the management, protection, accounting, investment, and disposition by the Federal Government of cash or other assets in which non-Federal individuals or entities have an ownership interest that the Federal Government must uphold. The Department's fiduciary activities are excluded from the principal financial statements but are disclosed as a note to the financial statements. The Department's fiduciary activities include receiving contributions from donors for the purpose of providing compensation for certain claims within the scope of an established agreement, investment of contributions into Treasury securities, and disbursement of contributions received within the scope of the established agreement. See *Note 18, Fiduciary Activities*.

X. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions, and exercise judgment that affects the reported amounts of assets, liabilities, and net position as of the date of the financial statements, and the reported amounts of revenues, financing sources, expenses, and obligations incurred during the reporting period. These estimates are based on management's best knowledge of current events, historical experience, actions the Department may take in the future, and other assumptions that are believed to be reasonable under the circumstances. Due to the size and complexity of the Department's programs, the estimates are subject to a range of variables, including assumptions on future economic and financial events. Accordingly, actual results could differ from these estimates.

Y. Public-Private Partnerships

SFFAS No. 49, *Public-Private Partnerships: Disclosure Requirements,* defines public-private partnerships as "risk-sharing arrangements or transactions lasting more than five years between public and private sector entities." The Department performed an extensive assessment of agreements with private entities and reviewed their terms against risk sharing and other criteria for financial disclosure. The Department determined there were no public-private partnerships that met the disclosure criteria in 2024 and 2023.

Z. Comparative Data

Certain 2023 amounts have been reclassified to conform to the 2024 presentation, in accordance with OMB Circular A-136. These changes include certain line items appearing in Other than Intragovernmental Liabilities, specifically Federal Employee Salary, Leave, and Benefits Payable; Pension and Post-Employment Benefits Payable; and Other Liabilities.

AA. Standards Implemented – Change in Accounting Principle

Leases

SFFAS No. 54, *Leases*, as amended by SFFAS Nos. 58, 60, 61, and 62 (SFFAS No. 54) is effective for all Federal entities on October 1, 2023. SFFAS No. 54 is intended to improve transparency of leases in financial reports and align techniques for determining reportable leases, which varied widely under the previous standard. Under the previous standard (SFFAS No. 6, *Accounting for Property, Plant, and Equipment*), only leases that met the capital lease criteria were reported as assets and liabilities on the financial statements. Leases that did not meet the capitalization rules were classified as operating leases. Operating lease costs are expensed as incurred and future minimum lease payments are presented in the financial statement footnotes.

SFFAS No. 54 establishes a new approach to identify and report right to control Property, Plant, and Equipment (the underlying assets). The standard expands the definition of a lease to include (1) lease-like arrangements and (2) intragovernmental agreements between agencies that are not legally enforceable but are in substance equivalent to an enforceable contract under the new standard. SFFAS No. 54 requires RTU asset agreements with non-intragovernmental entities for a period over 24 months to be reported as assets and liabilities on the Consolidated Balance Sheets and disclosed in the notes to the financial statements. The standard also requires short-term leases (lease term of 24 months or less), intragovernmental leases, and leases transferring ownership to be expensed as incurred. Normal requirements for prepayments, receivables, and payables continue to apply when accounting for non- intragovernmental lease activities. Where the Department is the lessor, lease receivables and unearned revenues are recognized at the commencement of the lease term provided the lease meets the definition of a RTU lease assets under the standard.

The Department manages one of the largest lease portfolios in the U.S. Government and arguably one of the most complex. The Department's lease portfolio is comprised of more than 17,000 real and personal properties of which over 16,000 are leased overseas from non-intragovernmental entities. The agreements are executed in over 180 countries, paid in over 100 currencies, and subject to overseas market conditions and individual host country legal requirements. At least one-third of the leased properties are occupied by other Federal entities, requiring substantial interagency coordination.

SFFAS No. 54 has a material impact on the Department's Consolidated Balance Sheets and footnotes as of the effective date. Since the standard is prospective, on October 1, 2023 and as a lessee, the Department recognized RTU lease assets and a lease liability totaling $2,578 million and adjusted Cumulative Results of Operations downward by $275 million. Refer to *Note 6, General Property and Equipment, Net*, *Note 9, Other Liabilities*, and *Note 12, Leases*, for additional information. In addition, the reporting and disclosure requirements by the Standard were incorporated and issued as reporting guidance in OMB Circular A-136. The Department follows this guidance in carrying out its reporting responsibilities.

Intragovernmental Leasehold Reimbursable Work Agreements

In conjunction with SFFAS No. 54, FASAB issued Technical Bulletin (TB) 2023-1, *Intragovernmental Leasehold Reimbursable Work Agreements*, in March 2023. Effective for all Federal agencies on October 1, 2023, TB 2023-1 provides accounting and reporting requirements for intragovernmental leasehold reimbursable work agreements (often referred to in practice as reimbursable work authorizations). TB 2023-1 applies only to intragovernmental arrangements and addresses instances where a reporting entity (the provider-lessor) acquires, constructs, improves, and/or alters an underlying asset that is or will be leased to another reporting entity (the customer-lessee) and the customer-lessee agrees to reimburse the provider-lessor for direct and indirect costs for the acquisition, construction, improvement, and/or alteration. TB 2023-1 was issued to provide clarity in the accounting treatment and consistency between intragovernmental reporting entities and improving historical intragovernmental reciprocal category differences related to these arrangements.

Since TB 2023-1 is prospective and early adoption was not permitted. As a result of implementing TB 2023-1, on October 1, 2023 the Department recognized $271 million in reimbursable work agreements with intragovernmental entities and made a $271 million upward adjustment to Cumulative Results of Operations. Refer to *Note 8, Other Assets*, and *Note 12, Leases*, for additional information.

Adjustments on October 1, 2023 to Cumulative Results of Operations due to the Department's implementation of SFFAS No. 54 and TB 2023-1 total $4 million.

2 Disclosure Entities and Related Parties

In accordance with SFFAS No. 47, *Reporting Entity*, the Department has included all consolidation entities for which it is responsible in the accompanying financial statements. The financial statements include all Federal funds under the Department's control, or which are a component of the reporting entity. Reporting entity is an organization that issues its own financial statements because there is either a statutory or administrative requirement, or they choose to prepare one. A consolidation entity is an organization that, based on an assessment of its relationship or relevant activities, should be consolidated in the financial statements of a reporting entity. The IBWC continues to be included as a consolidation entity, as reported in *Note 1, Summary of Significant Accounting Policies*. Additionally, the following organizations are consolidated in these financial statements: International Joint Commission, International Boundary Commission, and the International Center, D.C. (also referred to as the International Chancery Center).

The Department has determined that it does not have any disclosure entities to report. Disclosure entities are not consolidation entities, but information about the entity is needed for accountability purposes and to meet the Federal financial reporting objectives.

SFFAS No. 47 also requires the disclosure of significant related party relationships. Related parties are entities where an existing relationship provides either the Department or the other party the ability to exercise significant influence over the other party's policy decisions. For example, large international organizations, while not controlled by the United States, are often significantly influenced by the Government. Such organizations offer opportunities to build and lead coalitions that advance shared interests, enable effective global cooperation, promote equity and equality, and protect rights and fundamental freedoms. In many cases, the United States builds coalitions and participates in the policy discussions of these organizations through its involvement on boards and councils. *Note 11, International Organizations Liability*, discusses the Department's funding, payments, and open liabilities to these organizations.

The East-West Center (EWC) is a Congressionally-authorized non-profit organization dedicated to promoting better relations and understanding among the people and nations of the United States, Asia, and the Pacific through cooperative study, training, and research. Approximately half of EWC's annual revenues comes from the Department which received an annual appropriation of $22 million for EWC in 2024. The EWC Board of Governors consists of 18 members, including five appointed by the Secretary of State and the Assistant Secretary of State for Educational and Cultural Affairs.

The Department receives an annual appropriation and provides monies to several International Fisheries Commissions to fund the U.S. share of treaty-mandated assessments and operating expenses. These include the Great Lakes Fishery Commission, International Pacific Halibut Commission, and Pacific Salmon Commission, among others. Each commission facilitates international cooperation by conducting and coordinating scientific studies of fish stocks and other marine resources and their habitats. Many also oversee the allocation of fishing rights to their members. Amounts provided maintain voting privileges and influence in the commissions and organizations to advance the interests of the United States. The Department provided approximately $66 million for the year ended September 30, 2024.

3 Fund Balance with Treasury

Fund Balance with Treasury as of September 30, 2024 and 2023, is summarized below *(dollars in millions)*.

Status of Fund Balance with Treasury	**2024**	**2023**
Unobligated Balances Available	$ 28,277	$ 30,892
Unobligated Balances Unavailable	2,841	1,950
Obligated Balances not yet Disbursed	36,711	35,407
Total Unobligated and Obligated	67,829	68,249
Deposit and Receipt Funds	89	116
Total	$ 67,918	$ 68,365

4 Investments, Net

Investments, Net as of September 30, 2024 and 2023, are summarized below *(dollars in millions)*. All investments are classified as Intragovernmental Securities.

As of September 30, 2024:	**Cost**	**Amortized (Premium) Discount**	**Interest Receivable**	**Net Investments**	**Market Value**	**Maturity Dates**	**Interest Rates Range**
Non-Marketable, Par Value:							
Special Issue Securities	$21,581	$ —	$ 181	$ 21,762	$21,581	2025 – 2028	1.375% – 4.625%
Subtotal	21,581	—	181	21,762	21,581		
Non-Marketable, Market Based:							
Israeli Arab Scholarship Programs	5	—	—	5	5	2024 – 2028	0.375% – 2.250%
Eisenhower Exchange Fellowship Fund	8	—	—	8	8	2027 – 2029	2.500% – 4.375%
Middle Eastern-Western Dialogue Fund	9	—	—	9	9	2025 – 2028	0.250% – 4.125%
Gift Funds, Treasury Bills	27	(1)	—	26	26	2024 – 2027	2.000% – 2.250%
International Center	20	(1)	—	19	19	2025	0.000%
Foreign Service National Defined Contributions Fund	412	(14)	3	401	365	2026 – 2043	0.625% – 4.125%
Subtotal	481	(16)	3	468	432		
Total Intragovernmental Investments	$22,062	$ (16)	$ 184	$ 22,230	$22,013		

As of September 30, 2023:	Cost	Amortized (Premium) Discount	Interest Receivable	Net Investments	Market Value	Maturity Dates	Interest Rates Range
Non-Marketable, Par Value:							
Special Issue Securities	$ 21,055	$ —	$ 145	$ 21,200	$21,055	2024 – 2028	1.375% – 4.250%
Subtotal	21,055	—	145	21,200	21,055		
Non-Marketable, Market Based:							
Israeli Arab Scholarship Programs	5	—	—	5	4	2024 – 2028	0.375% – 2.250%
Eisenhower Exchange Fellowship Fund	8	—	—	8	8	2023 – 2029	2.500% – 4.125%
Middle Eastern-Western Dialogue Fund	9	—	—	9	9	2024 – 2027	0.250% – 2.125%
Gift Funds, Treasury Bills	27	(1)	—	26	25	2023 – 2027	2.000% – 2.750%
International Center	13	(1)	—	12	12	2024	0.000%
Foreign Service National Defined Contributions Fund	366	(14)	2	354	293	2026 – 2043	0.625% – 4.125%
Subtotal	428	(16)	2	414	351		
Total Intragovernmental Investments	$ 21,483	$ (16)	$ 147	$ 21,614	$21,406		

The Department's activities that have the authority to invest cash resources are comprised of Funds from Dedicated Collections (see *Note 14, Funds from Dedicated Collections*) and pension and retirement plans administered by the Department (see *Note 10, Federal Employee Benefits Payable*).

The U.S. Government does not set aside assets to pay future benefits or other expenditures associated with these activities. Rather, the cash receipts collected are deposited in the Treasury, which uses the cash for general U.S. Government purposes. Treasury securities are issued to the Department as evidence of its receipts. Treasury securities are an asset to the Department and a liability to the Treasury. Because the Department and the Treasury are both parts of the U.S. Government, these assets and liabilities offset each other from the standpoint of the U.S. Government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Government-wide financial statements.

Treasury securities provide the Department with authority to draw upon the Treasury to make future benefit payments or other expenditures. When the Department requires redemption of these securities to make expenditures, the U.S. Government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. The U.S. Government finances most expenditures in this way.

5 Accounts Receivable, Net

The Department's Accounts Receivable, Net as of September 30, 2024 and 2023, are summarized below *(dollars in millions)*. All are entity receivables.

	2024			2023		
	Entity Receivables	**Allowance for Uncollectible**	**Net Receivables**	**Entity Receivables**	**Allowance for Uncollectible**	**Net Receivables**
Intragovernmental Accounts Receivable	$ 120	$ (10)	$ 110	$ 49	$ (11)	$ 38
Other than Intragovernmental Accounts Receivable	222	(46)	176	144	(46)	98
Total Receivables	$ 342	$ (56)	$ 286	$ 193	$ (57)	$ 136

The Accounts Receivable, Net of allowance for uncollectible accounts as of September 30, 2024 and 2023, is $286 million and $136 million, respectively. The allowance for uncollectible accounts are recorded using aging methodologies based on analysis of historical collections and write-offs. The allowance recognition for intragovernmental receivables does not alter the statutory requirement for the Department to collect payment.

The Intragovernmental Accounts Receivable are amounts owed to the Department from other Federal agencies for reimbursement for goods and services. The Other than Intragovernmental Accounts Receivable are amounts due from civil monetary fines and penalties, foreign governments and the public for value added taxes, IBWC receivables for Mexico's share of activities, and repatriation loan interest, penalties, and associated administrative fees (see *Note 1.F, Accounts Receivable, Net*).

In 2024, the Department estimated $5 million in accounts receivable to be collectible for criminal restitution.

6 General Property and Equipment, Net

General Property and Equipment, Net balances as of September 30, 2024 and 2023, are shown by major class in the following note schedule *(dollars in millions)*.

	2024			2023		
Major Classes	**Cost**	**Accumulated Depreciation**	**Net Value**	**Cost**	**Accumulated Depreciation**	**Net Value**
Real Property:						
Overseas –						
Land and Land Improvements	$ 3,779	$ (131)	$ 3,648	$ 3,586	$ (125)	$ 3,461
Buildings and Structures	30,395	(14,295)	16,100	28,667	(13,311)	15,356
Construction-in-Progress	7,760	—	7,760	7,566	—	7,566
Assets Under Capital Lease	—	—	—	132	(43)	89
Right-to-Use Assets	3,183	(350)	2,833	—	—	—
Leasehold Improvements	897	(551)	346	816	(495)	321
Domestic –						
Structures, Facilities and Leaseholds	1,958	(835)	1,123	1,904	(780)	1,124
Construction-in-Progress	173	—	173	185	—	185
Right-to-Use Lease Assets	20	(1)	19	330	(100)	230
Land and Land Improvements	441	(63)	378	442	(52)	390
Total – Real Property	48,606	(16,226)	32,380	43,628	(14,906)	28,722
Personal Property:						
Aircraft	319	(256)	63	368	(301)	67
Vehicles	897	(662)	235	907	(645)	262
Communication Equipment	30	(22)	8	33	(24)	9
IT Equipment	406	(275)	131	430	(300)	130
Reproduction Equipment	6	(5)	1	7	(6)	1
Security Equipment	266	(179)	87	263	(169)	94
Internal Use Software	890	(589)	301	641	(503)	138
Software-in-Development	397	—	397	535	—	535
Other Equipment	337	(213)	124	317	(202)	115
Total – Personal Property	3,548	(2,201)	1,347	3,501	(2,150)	1,351
Total General Property and Equipment, Net	$ 52,154	$ (18,427)	$ 33,727	$ 47,129	$ (17,056)	$ 30,073

Construction-in-Progress is used to record the amount of direct labor, direct material, and overhead incurred in the construction of general property and equipment. These costs remain in the Construction-in-Progress category until the constructed asset is completed and is ready to be placed in service. Once placed in service, the costs are transferred to the corresponding asset category.

General Property and Equipment, Net roll forward activities for the years ended September 30, 2024 and 2023 are shown in the following note schedule (*dollars in millions*). These activities include the effects of the implementation of SFFAS No. 54 to the beginning balance as of October 1, 2023, see *Note 12, Leases*.

General Property & Equipment, Net	**2024**	**2023**
Beginning Balance	$ 30,073	$ 28,452
Change in Accounting Principle: De-recognition of Capital Leases Accounted for under SFFAS 6	(319)	—
Change in Accounting Principle: Recognition of Right-To-Use Lease Assets under SFFAS 54	2,578	—
Recognition of Current Year Right-To-Use Lease Assets (Unrelated to Change in Accounting Principle)	633	—
Capitalized Acquisitions	2,576	2,823
Dispositions	(86)	(41)
Transfers In/Out Without Reimbursement	3	112
Revaluations	(2)	6
Depreciation Expense	(1,371)	(1,312)
CY Amortization of Right-To-Use Lease Assets	(359)	—
Donations	1	33
Ending Balance	$ 33,727	$ 30,073

The Department does not have any restrictions on the use or convertibility of the general property and equipment balances, except for those identified in *Note 8, Other Assets*. See *Note 1.J, General Property and Equipment, Net*, for additional information. Information concerning deferred maintenance and repairs and estimated land acreage is discussed in the *Required Supplementary Information* section.

Stewardship Property and Equipment – Heritage Assets

The Department maintains collections of art, furnishings, and real property (Culturally Significant Property) that are held for public exhibition, education, and official functions for visiting chiefs of State, heads of government, foreign ministers, and other distinguished foreign and American guests. As the lead institution conducting American diplomacy, the Department uses this property to promote national pride and the distinct cultural diversity of American artists, as well as to recognize the historical, architectural, and cultural significance of America's holdings overseas.

There are nine separate collections of art and furnishings: the Diplomatic Reception Rooms Collection, the Art Bank Program, the Art in Embassies Program, the Cultural Heritage Collection, the Library Rare and Special Book Collection, the Secretary of State's Register of Culturally Significant Property, the National Museum of American Diplomacy, the Blair House, and the International Boundary and Water Commission. The collections, activity of which is shown in the following *note schedule* and described more fully in the *Other Information* section of this report, consist of items that were donated or purchased using donated or appropriated funds. The Department provides protection and preservation services to maintain all Heritage Assets in the best possible condition as part of America's history. The following note schedule contains unaudited data as discussed in the Independent Auditor's Report.

HERITAGE ASSETS For the Years Ended September 30, 2024 and 2023					
	Diplomatic Reception Rooms Collection	**Art Bank Program**	**Art in Embassies Program**	**Cultural Heritage Collection**	**Library Rare & Special Book Collection**
Description	**Collectibles – Art and furnishings from the period 1750 to 1825**	**Collection of American works of art on paper**	**Collection of artworks and artifacts of cultural significance created by American and international artists**	**Collections include fine and decorative arts and other cultural objects**	**Collectibles – Rare books and other publications of historic value**
Acquisition and Withdrawal	Acquired through donation or purchase using donated funds. Excess items are sold.	Acquired through purchase. Excess items are transferred.	Acquired through purchase or donation. Excess items are transferred.	Acquired through donation and professional assessment. Excess items are transferred or sold. The program provides conservation as needed.	Acquired through donation.
Condition	Good to excellent	Poor to excellent	Good to excellent	Good to excellent	Poor to good
Number of Assets – 9/30/2022	1,854	2,725	1,283	16,740	1,379
Acquisitions	8	16	101	77	—
Adjustments	3	—	3,300	461	1
Disposals	—	—	6	252	—
Number of Assets – 9/30/2023	1,865	2,741	4,678	17,026	1,380
Acquisitions	3	14	148	46	6
Adjustments	2	3	109	539	—
Disposals	98	—	140	958	2
Number of Assets – 9/30/2024	1,772	2,758	4,795	16,653	1,384

HERITAGE ASSETS *(continued)* For the Years Ended September 30, 2024 and 2023				
	Secretary of State's Register of Culturally Significant Property	**National Museum of American Diplomacy**	**Blair House**	**International Boundary and Water Commission**
Description	**Noncollection – Buildings of historic, cultural, or architectural significance**	**Collectibles – Historic artifacts, art and other cultural objects**	**Collections of fine and decorative arts, furnishings, artifacts, other cultural objects, rare books and archival materials in national historic landmark buildings**	**Monuments that mark the international boundary between the United States and Mexico, Falcon International Dam and Power Plant**
Acquisition and Withdrawal	Acquired through purchase. Excess items are sold.	Acquired through donation or transfer. Excess items are transferred.	Acquired through purchase, donation or transfer. Excess items are transferred or disposed of via public sale.	The monuments were constructed to mark the international boundary. The dam and power plant were constructed by the United States and Mexico pursuant to Water Treaty of 1944.
Condition	Poor to excellent	Good to excellent	Good to excellent	Very Poor to good
Number of Assets – 9/30/2022	43	7,339	2,594	140
Acquisitions	—	235	—	—
Adjustments	—	61	—	—
Disposals	—	—	—	—
Number of Assets – 9/30/2023	43	7,635	2,594	140
Acquisitions	2	103	3	—
Adjustments	—	2	—	—
Disposals	—	—	—	—
Number of Assets – 9/30/2024	45	7,740	2,597	140

7 Advances and Prepayments

The Department's Advances and Prepayments as of September 30, 2024 and 2023, are summarized below *(dollars in millions)*.

Advances and Prepayments	**2024**	**2023**
Intragovernmental Assets		
Advances and Prepayments	$ 1,729	$ 1,362
Total Intragovernmental Assets	1,729	1,362
Other than Intragovernmental Assets		
Salary Advances	7	5
Travel Advances	19	18
Other Advances and Prepayments	999	839
Total Other than Intragovernmental Assets	1,025	862
Total Advances and Prepayments	$ 2,754	$ 2,224

The Department's Advances and Prepayments are payments made in advance of the receipt of goods and services and recognized as expenses when the related goods and services are received (see *Note 1.H, Advances and Prepayments*). The majority of intragovernmental advances and prepayments are to USAID for Federal assistance in support of the global health and child survival program. Additionally, intragovernmental prepayments are made to the Defense Security Cooperation Agency in support of the peacekeeping operations program and the Department of Energy in support of the nonproliferation, anti-terrorism, and related programs.

Other Advances and Prepayments are predominately voluntary contributions to international organizations in support of the population, refugee, and migration assistance program. Other advances include payments to grantees in support of the global health and child survival program; education allowance costs and software license and maintenance agreements in support of diplomatic programs; and OBO's real property rent and acquisitions.

8 Other Assets

The Department's Other Assets as of September 30, 2024 and 2023, are summarized below *(dollars in millions)*.

Other Assets	**2024**	**2023**
Intragovernmental Assets		
Other Assets - Reimbursable Work Asset	$ 249	$ —
Total Intragovernmental Assets	$ 249	$ —
Other than Intragovernmental Assets		
Lease Receivable	$ 26	$ —
Cash and Other Monetary Assets	6	8
Inventory and Related Property, Net	11	10
Loans Receivable, Net	5	1
Total Other than Intragovernmental Assets	$ 48	$ 19
Total Other Assets	$ 297	$ 19

The Department's Intragovernmental Other Assets are primarily comprised of reimbursable work assets with GSA. The Department and GSA have five reimbursable work agreements for the acquisition, initial improvements, and occupancy of property. The Department funds the acquisitions and improvements and occupies the properties. GSA holds title to the properties, reports the assets on its financial statements, and issued occupancy agreements to the Department. The agreements are in place because of the limitations on the Department's domestic real property authority.

Technical Bulletin (TB) 2023-1, *Intragovernmental Leasehold Reimbursable Work Agreements* issued by FASAB is effective for all Federal agencies on October 1, 2023. It clarified the accounting treatment for reimbursable work agreements between Federal entities in which the purchase or construction of assets is funded by one federal entity, but the providing entity derives significant benefits of the reimbursable work such as retaining title to the asset. In accordance with TB 2023-1, the Department recognized an intragovernmental reimbursable work asset equal to the acquisition, construction, and alteration costs for these agreements with GSA, and amortized the costs over the remaining period of the occupancy agreements. See *Note 1.AA, Standards Implemented – Change in Accounting Principle*, for additional information.

The Other than Intragovernmental Assets are comprised of Lease Receivable (see *Note 12, Leases*), Cash and Other Monetary Assets, Inventory and Loans Receivable.

9 Other Liabilities

The Department's Other Liabilities as of September 30, 2024 and 2023, are summarized below *(dollars in millions)*.

Other Liabilities	**2024**	**2023**
Intragovernmental Liabilities		
Custodial and Other Non-Entity Assets Liability	$ 100	$ 19
Debt	5	5
Unfunded FECA Liability	21	20
Other Liabilities	44	34
Total Intragovernmental Liabilities	170	78
Other than Intragovernmental Liabilities		
International Organizations Liability	3,068	2,881
Lease Liability	2,879	—
Environmental and Disposal Liability	51	52
Capital Lease Liability	—	44
Withholdings Payable	23	22
Contingent Liability	177	222
Other Liabilities Without Related Budgetary Obligations	284	270
Other Liabilities With Related Budgetary Obligations	274	230
Total Other than Intragovernmental Liabilities	6,756	3,721
Total Other Liabilities	$ 6,926	$ 3,799

Environmental Liability Associated with Asbestos Cleanup and Other

The Department has estimated both friable, $6 million, and nonfriable, $43 million, asbestos-related cleanup costs and recognized a liability and related expense for those costs that are both probable and reasonably estimable as of September 30, 2024, consistent with the current guidance in SFFAS No. 5, *Accounting for Liabilities of the Federal Government;* SFFAS No. 6, *Accounting for Property, Plant, and Equipment, Chapter 4: Cleanup Costs;* and Technical Release 2, *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government*. The remaining $2 million in environmental liability is non-asbestos related cleanup costs for lead based paint (see Note 13, Contingencies and Commitments).

Liabilities Not Covered by Budgetary Resources

The Department's liabilities are classified as liabilities covered by budgetary resources, liabilities not covered by budgetary resources, or liabilities not requiring budgetary resources. Liabilities not covered by budgetary resources result from the receipt of goods and services, or occurrence of eligible events in the current or prior periods, for which revenue or other funds to pay the liabilities have not been made available through appropriations or current earnings of the Department. Liabilities not requiring budgetary resources are for liabilities that have not in the past required and will not in the future require the use of budgetary resources. This includes liabilities for clearing accounts, non-fiduciary deposit funds, custodial collections, and general fund receipts.

The unfunded actuarial liability for the FSRDF remains the largest liability not covered by budgetary resources for the Department. The liabilities in this category as of September 30, 2024 and 2023 are summarized in the Schedule of Liabilities Not Covered by Budgetary Resources *(dollars in millions)*.

Starting October 1, 2023 and in accordance with SFFAS No. 54, Leases, the Department recognized a Lease Liability for the present value of RTU lease payments expected to be made for the lease term and no longer recognized a Capital Lease Liability. See also Note 1.AA, Standards Implemented – Change in Accounting Principle and Note 12, Leases.

Liabilities Not Covered by Budgetary Resources	**2024**	**2023**
Intragovernmental Liabilities		
Unfunded FECA Liability	$ 21	$ 20
Total Intragovernmental Liabilities	21	20
Unfunded Actuarial Liabilities:		
Foreign Service Retirement Actuarial Liability	13,451	12,857
Foreign Service Nationals:		
Defined Contributions Fund	9	7
Defined Benefit Plans	—	—
Lump Sum Retirement and Voluntary Severance	416	326
Total Unfunded Actuarial Liabilities	13,876	13,190
International Organizations Liability	3,068	2,881
Lease Liability	2,773	—
Unfunded Leave	554	528
Contingent Liability	177	222
Environmental and Disposal Liabilities	51	52
Capital Lease Liability	—	44
Other Liabilities	289	225
Total Liabilities Not Covered by Budgetary Resources	20,809	17,162
Total Liabilities Covered by Budgetary Resources	27,080	26,356
Total Liabilities Not Requiring Budgetary Resources	190	134
Total Liabilities	$ 48,079	$ 43,652

10 Federal Employee Benefits Payable

The Department of State provides Federal Employee Benefits to its employees, serving both domestically and abroad. In addition to participation in other agency administered benefit plans, such as the Federal Employees' Compensation Act (FECA), the Department also administers several retirements plans for both Foreign Service Officers (FSOs) and Foreign Service Nationals (FSNs). FSOs participate in the Foreign Service Retirement and Disability pension plans. FSN employees participate in a variety of plans established by the Department in each country based upon prevailing compensation practices in the host country. The note schedule below summarizes the liability associated with these benefits *(dollars in millions)*.

For the Years Ended September 30,	2024	2023
Pension and Post-Employment Benefits Payable		
Foreign Service Officers		
Foreign Service Retirement and Disability Fund	$35,141	$33,986
Foreign Service Nationals		
Defined Contribution Fund	403	357
Defined Benefit Plans	—	—
Lump Sum Retirement and Voluntary Severance	739	685
Total Foreign Service Nationals	1,142	1,042
Pension Benefits Due and Payable to Beneficiaries	79	77
Actuarial FECA Liability	104	103
Total Pension and Post-Employment Benefits Payable	$36,466	$35,208
Federal Employee Salary, Leave, and Benefits Payable		
Accrued Funded Payroll and Leave	313	259
Employer Contributions and Payroll Taxes Payable	42	35
Other Unfunded Employment Related Liability	71	69
Unfunded Leave	554	528
Total Federal Employee Salary, Leave, and Benefits Payable	$ 980	$ 891
Total Federal Employee Benefits Payable	$37,446	$36,099

Details for the Actuarial Liabilities for Pension and Retirement Plans Administered by the Department are as follows:

Foreign Service Retirement and Disability Fund

The FSRDF finances the operations of the FSRDS and the FSPS. The FSRDS and the FSPS are defined-benefit, single-employer plans. FSRDS was originally established in 1924; FSPS in 1986. The FSRDS is a single-benefit retirement plan. Retirees receive a monthly annuity from FSRDS for the rest of their lives. FSPS provides benefits from three sources: a basic benefit (annuity) from FSPS, Social Security, and the TSP.

The Department's financial statements present the Pension Actuarial Liability of the Foreign Service Retirement and Disability Program (the "Plan") as the actuarial present value of projected plan benefits, as required by SFFAS No. 33, *Pensions, Other Retirement Benefits, and other Post Employment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates*. The Pension Actuarial Liability represents the future periodic payments provided for current employee and retired Plan participants, less the future employee and employing Federal agency contributions, stated in current dollars.

Future periodic payments include benefits expected to be paid to (1) retired or terminated employees or their beneficiaries; (2) beneficiaries of employees who have died; and (3) present employees or their beneficiaries, including refunds of employee contributions as specified by Plan provisions. Total projected service is used to determine eligibility for retirement benefits. The value of voluntary, involuntary, and deferred retirement benefits is based on projected service and assumed salary increases. The value of benefits for disabled employees or survivors of employees is determined by multiplying the benefit the employee or survivor would receive on the date of disability or death, by a ratio of service at the valuation date to projected service at the time of disability or death.

The Pension Actuarial Liability is calculated by applying actuarial assumptions to adjust the projected plan benefits to reflect the discounted time value of money and the probability of payment (by means of decrements such as death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment. The Plan uses the aggregate entry age normal actuarial cost method, whereby the present value of projected benefits for each employee is allocated on a level basis (such as a constant percentage of salary) over the employee's service between entry age and assumed exit age. The portion of the present value allocated to each year is referred to as the normal cost.

The note schedule below presents the normal costs for 2024 and 2023.

Normal Cost:	2024	2023
FSRDS	58.16%	59.37%
FSPS	45.43%	45.89%

Actuarial assumptions are based on the presumption that the Plan will continue. If the Plan terminates, different actuarial assumptions and other factors might be applicable for determining the actuarial present value of accumulated plan benefits. The assumption changes arise in connection with the annual valuation and follow the guidelines of SFFAS No. 33. The following note schedule presents the calculation of the combined FSRDS and FSPS Pension Actuarial Liability and the assumptions used in computing it for the years ended September 30, 2024 and 2023 *(dollars in millions)*.

For the Years Ended September 30,	2024	2023
Pension Actuarial Liability, Beginning of Year	$33,986	$ 31,968
Pension Expense:		
Normal Cost	1,039	985
Interest on Pension Liability	988	907
Actuarial (Gains) or Losses:		
From Experience	650	1,498
From Assumption Changes		
Interest Rate	(434)	(368)
Other	104	144
Total Pension Expense	2,347	3,166
Less: Payments to Beneficiaries	1,192	1,148
Pension Actuarial Liability, End of Year	35,141	33,986
Less: Net Assets Available for Benefits	21,690	21,129
Actuarial Pension Liability – Unfunded	$13,451	$ 12,857

Actuarial Assumptions:	2024	2023
Rate of Return on Investments	2.95%	2.87%
Rate of Inflation	2.76%	2.67%
Salary Increase	3.01%	2.92%

Net Assets Available for Benefits as of September 30, 2024 and 2023, consist of the following *(dollars in millions)*.

As of September 30,	2024	2023
Fund Balance with Treasury	$ —	$ —
Accounts and Interest Receivable	210	173
Investments in U.S. Government Securities	21,581	21,055
Total Assets	21,791	21,228
Less: Liabilities Other Than Actuarial	101	99
Net Assets Available for Benefits	$21,690	$ 21,129

Foreign Service Nationals' After-Employment Benefit Liabilities

The Department of State operates overseas in over 180 countries and employs a significant number of local nationals, currently over 51,000, known as Foreign Service Nationals (FSNs).

FSNs hired after January 1, 1984, do not qualify for any Federal civilian benefits (and therefore cannot participate) in any of the Federal civilian pension systems (e.g., Civil Service Retirement System (CSRS), FSRDS, TSP, etc.). By statute, the Department is required to establish compensation plans for FSNs in its employ in foreign countries. The plans are based upon prevailing wage and compensation practices in the locality of employment, unless the Department makes a public interest determination to do otherwise. In general, the Department follows host country (i.e., local) practices and conventions in compensating FSNs. The end result is that compensation for FSNs is often not in accord with what would otherwise be offered or required by statute and regulations for Federal civilian employees.

In each country, FSN after-employment benefits are included in the Post's Local Compensation Plan. Depending on the local practice, the Department offers defined benefit plans, defined contribution plans, and retirement and voluntary severance lump sum payment plans. These plans are typically in addition to or in lieu of participating in the host country's LSSS. These benefits form an important part of the Department's total compensation and benefits program that is designed to attract and retain highly skilled and talented FSN employees.

FSN Defined Contributions Fund (FSN DCF)

The Department's FSN DCF finances two FSN after-employment plans, the FSN Defined Contribution Plan (DCP) and the Variable Contribution Plan (VCP).

The Department's FSN DCP and VCP provide after-employment benefits for FSN employees in countries where the Department has made a public interest determination to discontinue participation in the LSSS or deviate from other prevailing local practices. Title 22, Foreign Relations and Intercourse, Section 3968, Local Compensation Plans, provides the authority to the Department to establish such benefits and identifies as part of a total compensation plan for these employees.

The Department contributes 12 percent of each participant's base salary to the FSN DCP. Participants are not allowed to make contributions to the Plan. The amount of after-employment benefit received by the employee is determined by the amount of the contributions made by the Department along with investment returns and administrative fees. The Department's obligation is determined by the contributions for the period, and no actuarial assumptions are required to measure the obligation or the expense. As of September 30, 2024, approximately 12,000 FSNs in 31 countries participate in the FSN DCP.

The Department records an expense for contributions to the FSN DCP when the employee renders service to the Department, coinciding with the cash contributions to the FSN DCP. Total contributions by the Department in 2024 and 2023 were $34.0 million and $32.0 million, respectively. Total liability reported for the FSN DCP is $313 million and $287 million as of September 30, 2024 and 2023, respectively.

The FSN VCP reported employee and employer contributions of $22.2 million and $17.4 million as of September 30, 2024 and 2023, respectively. The total liability reported for the FSN VCP is $90 million and $70 million as of September 30, 2024 and 2023, respectively.

Local Defined Contribution Plans

In 52 countries, the Department has implemented various local arrangements, primarily with third party providers, for defined contribution plans for the benefit of FSNs. Total contributions to these plans by the Department in 2024 and 2023 were $39 million and $39 million, respectively.

Defined Benefit Plans

In 11 countries, involving over 3,500 FSNs, the Department has implemented various arrangements for defined benefit pension plans for the benefit of FSNs. Some of these plans supplement the host country's equivalent to U.S. social security, others do not. While none of these supplemental plans are mandated by the host country, some are substitutes for optional tiers of a host country's social security system. Such arrangements include (but are not limited to) conventional defined benefit plans with assets held in the name of trustees of the plan who engage plan administrators, investment advisors and actuaries, and plans offered by insurance companies at predetermined rates or with annual adjustments to premiums. The Department deposits funds under various fiduciary-type arrangements, purchases annuities under group insurance contracts or provides reserves to these plans. Benefits under the defined benefit plans are typically based either on years of service and/or the employee's compensation (generally during a fixed number of years immediately before retirement). The range of assumptions that are used for the defined benefit plans reflect the different economic and regulatory environments within the various countries.

As discussed in *Note 1.Q, Foreign Service Nationals' After-Employment Benefits*, the Department accounts for these plans under guidance contained in International Accounting Standards (IAS) No. 19, *Employee Benefits*. In accordance with IAS No. 19, the Department reported an overall net surplus. The net defined benefit liability was $0 million and $0 million as of September 30, 2024 and 2023, respectively.

The material FSN defined benefit plans include plans in Germany and the United Kingdom (UK) which represent 79 percent of total assets, and 71 percent of total projected benefit obligations as of September 30, 2024. The Germany plan's most recent evaluation report, dated September 30, 2024, is as of July 1, 2024. The UK plan's most recent evaluation dated October 27, 2023, is as of April 5, 2023.

For the Germany plan, the change in the net defined benefit liability was a decrease of $3 million in 2024 and an increase of $3 million in 2023, while for the UK plan the change was a decrease of $40 million in 2024 and a decrease of $60 million in 2023.

For Germany, the decrease in the net defined benefit liability in 2024 was primarily due to investment gains on plan assets. The increase in 2023 was primarily due to a decrease in the discount rate.

For the UK plan in 2024, the decrease in the net defined benefit liability was primarily due to investment gains in plan assets. The decrease in 2023 was primarily due to changes in financial markets that increased the discount rate.

The following two note schedules show the changes in the projected benefit obligation and plan assets during 2024 and 2023 for the Germany and UK plans *(dollars in millions)*.

Change in Benefit Obligations:	**2024**	**2023**
Benefit Obligations Beginning of Year	$ 391	$ 411
Service Cost	8	10
Interest Cost	4	18
Other	33	(48)
Benefit Obligations End of Year	$ 436	$ 391

Change in Plan Assets:	**2024**	**2023**
Fair Value of Plan Assets Beginning of Year	$ 423	$ 386
Return on Plan Assets	47	(11)
Contributions Less Benefits Paid	3	13
Other	38	35
Fair Value of Plan Assets End of Year	511	423
Net Defined Benefit Liability	$ (75)	$ (32)

The note schedule below shows the allocation of the plan assets by category during 2024 and 2023 for the Germany and UK plans.

	2024	**2023**
Insurance Policies	32%	35%
Equity Securities	38%	40%
Money Market and Cash	4%	3%
Debt Securities	26%	22%
Total	100%	100%

The principal actuarial assumptions used for 2024 and 2023 for the Germany and UK plans are presented below:

Actuarial Assumptions:	**2024**	**2023**
Discount Rate	2.50% – 4.66%	2.50% – 4.84%
Salary Increase Rate	2.25% – 4.37%	2.25% – 4.00%
Pension Increase Rate	1.75% – 3.37%	1.75% – 3.00%

Retirement and Voluntary Severance Lump Sum Payments

In 83 countries, FSN employees are provided a lump-sum separation payment when they resign, retire, or otherwise separate through no fault of their own. The amount of the payment is generally based on length of service, rate of pay at the time of separation, and the type of separation. As of September 30, 2024, approximately 28,000 FSNs participate in such plans.

The cost method used for the valuation of the liabilities associated with these plans is the Projected Unit Credit actuarial cost method. The participant's benefit is first determined using both their projected service and salary at the retirement date. The projected benefit is then multiplied by the ratio of current service to projected service at retirement in order to determine an allocated benefit. The Projected Benefit Obligation (PBO) for the entire plan is calculated as the sum of the individual PBO amounts for each active member. Further, this calculation requires certain actuarial assumptions be made, such as voluntary withdrawals, assumed retirement age, death and disability, salary increases inclusive of merit and local inflation, as well as economic assumptions. For economic assumptions, available market data was scarce for many of the countries where eligible posts are located. Due to the lack of creditable global market data, an approach consistent with that used for the September 30, 2024, FSRDF valuations under SFFAS No. 33 was adopted. Using this approach, the economic assumptions used for the Retirement and Voluntary Severance Lump Sum Payment liability as of September 30, 2024 and 2023, are:

	2024	**2023**
Discount Rate	2.65%	2.54%
Rate of inflation	Varies	Varies
Salary Increase	3.00-12.00%	3.00-12.00%

Based upon the projection, the total liability reported for the Retirement and Voluntary Severance Lump Sum Payment is $739 million and $685 million as of September 30, 2024 and 2023, respectively, as shown below *(dollars in millions)*:

As of September 30,	**2024**	**2023**
Retirement	$ 255	$ 242
Voluntary Severance	484	443
Total	$ 739	$ 685

The September 30, 2024 total PBO of $739 million represents a $54 million increase compared to the September 30, 2024 total PBO of $685 million.

The following note schedule shows the changes in the projected benefit obligation during 2024 and 2023 *(dollars in millions)*:

Changes in Benefit Obligations:	**2024**	**2023**
Benefit Obligations Beginning of Year	$ 685	$ 683
Normal Cost	55	53
Benefit Payments	(40)	(41)
Interest Cost	18	17
Actuarial (Gain)Loss on Assumptions	(9)	(9)
Actuarial (Gain)Loss Due to Experience	(1)	(6)
Other	31	(12)
Benefit Obligations End of Year	$ 739	$ 685

11 International Organizations Liability

The Department's Bureau of International Organizations (IO) is responsible for the administration, development, and implementation of the United States' policies in the United Nations (UN), international organizations, and UN peacekeeping operations. The United States contributes either to voluntary funds or an assessed share of the budgets and expenses of these organizations and activities. These missions are supported through Congressional appropriation to the Department's Contributions to International Organizations (CIO), Contributions for International Peacekeeping Activities (CIPA), and International Organizations and Programs (IO&P) accounts.

A liability is established for assessments received and unpaid and for pledges made and accepted by an international organization. Congress has mandated withholding the payments of dues because of policy restrictions or caps on the percentage of the organization's operating costs financed by the United States. Without authorization from Congress, the Department cannot pay certain assessed amounts. The amounts of mandated withholdings that will likely not be authorized to be paid in the future do not appear as liabilities on the Balance Sheets of the Department.

Amounts presented in the note schedule represent amounts that are paid through the CIO, CIPA, and IO&P accounts and administered by IO. Payables to international organizations by the Department that are funded through other appropriations are included in Accounts Payable to the extent such payables exist as of September 30, 2024 and 2023.

Further information about the Department's mission to the UN is at usun.usmission.gov. Details of the IO Liability follow *(dollars in millions)*:

As of September 30,		**2024**		**2023**
Regular Membership Assessments Payable to UN	$	995	$	930
Dues Payable to UN Peacekeeping Missions		1,449		1,348
International Organizations Liability		1,848		1,926
Total Owed to International Organizations		4,292		4,204
Less Amounts Mandated to be Withheld and not likely to be Paid		737		730
International Organizations Liability	$	3,555	$	3,474
Funded Amounts	$	487	$	593
Unfunded Amounts		3,068		2,881
Total International Organizations Liability	$	3,555	$	3,474

12 Leases

In its ordinary course of business, the Department manages a portfolio of over 17,000 property and equipment leases. These leases primarily cover office and functional properties, residential units, land, and vehicles for diplomatic missions and span 180 countries and numerous currencies. Over 11,000 of these leases are occupied, funded, and reported by the Department. Approximately 6,000 of these leases are part of the "housing pool" and are occupied, funded, and reported by other Federal entities. The Department is also a lessor of real property to other Federal agencies for which the Department receives reimbursement from those agencies for the use of the properties. There were no material impairment losses for leases for the years ended September 30, 2024 and 2023.

As outlined in *Note 1.AA, Standards Implemented - Change in Accounting Principle*, SFFAS No. 54, *Leases,* became effective for all Federal agencies on October 1, 2023. SFFAS No. 54 requires RTU assets with terms over 24 months and leased from non-intragovernmental lessors to be reported as RTU lease assets and lease liabilities. Agreements with terms of 24 months or less and intragovernmental leases are expensed as incurred. The implementation of SFFAS No. 54 expanded the definition of a lease and reporting requirements which has increased the Department's non-intragovernmental lease liability from $44 million to $2,879 million from September 30, 2023 to September 30, 2024. Refer to *Note 6, General Property and Equipment, Net*, *Note 8, Other Assets*, and *Note 9, Other Liabilities*, for additional information.

Fiscal Year 2024

Leases as a Lessee

The number of leases for General Property and Equipment, Net as of September 30, 2024 is as follows:

	Real Property	Personal Property	Total
Domestic	120	1,532	1,652
Overseas	9,506	—	9,506
Total	9,626	1,532	11,158
Intragovernmental	116	1,532	1,648
Other than Intragovernmental	9,510	—	9,510
Total	9,626	1,532	11,158

Intragovernmental:

Nearly all of the Department's intragovernmental leases are with the GSA for buildings and office space in the United States. GSA leases space to the Department under occupancy agreements which are typically long-term agreements, between 10 and 20 years. The majority of these lease agreements allow the Department to terminate the agreement at any time after the first 16 months of the lease term by giving GSA four months' notice. GSA bills the Department monthly. The billed amount is GSA's cost or equivalent to commercial rates and includes lease-related operating costs (for example, maintenance, utilities, taxes, etc.). In 2024, the Department paid $293 million for real property leases to GSA.

In addition, the Department administers a domestic fleet management program which includes services for short-term and long-term vehicle rentals. The vehicles used in the domestic fleet leasing program are leased through GSA's Office of Fleet Leasing, a shared service provided to Federal agencies domestically. In 2024, the Department paid $8 million to GSA for the approximately 1,500 vehicles leased.

Other than Intragovernmental:

The Department's non-intragovernmental leases are with private and host country landlords for real property located domestically and overseas. Real property leases by major use as of September 30, 2024 is as follows.

	Number of Leases	Discount Rate Range	Average Term
Residential	8,698	0.30% – 5.00%	7 Years
Functional	384	0.35% – 4.88%	8 Years
Structure	108	0.36% – 4.88%	9 Years
Office	182	0.39% – 4.88%	23 Years
Land	138	0.35% – 4.88%	22 Years
Total	9,510		

A summary of future lease payments for the next five years and beyond as of September 30, 2024 *(dollars in millions)* is as follows.

Fiscal Year	Principal	Interest	Total
2025	$ 377	$ 125	$ 502
2026	353	107	460
2027	309	91	400
2028	257	79	336
2029	223	68	291
2030 – 2034	661	227	888
2035 – 2039	278	128	406
2040 – 2044	203	74	277
2045 – 2049	139	35	174
2050 – 2055	79	7	86
Total Lease Payments	$ 2,879	$ 941	$ 3,820

Lease Liabilities	$ 2,879

Leases as a Lessor

Intragovernmental:

The Department is a lessor of real property, primarily office space, to other Federal agencies for which the Department receives reimbursement from those agencies for the use of the properties.

A summary of future lease revenues for the next five years and beyond as of September 30, 2024 *(dollars in millions)* is as follows.

Fiscal Year	Reimbursement
2025	$ 11
2026	9
2027	8
2028	6
2029	6
2030 – 2034	20
2035 – 2039	10
2040 – 2044	5
2045 – 2049	1
2050 – 2054	—
Total Leases Revenues	$ 76

Other than Intragovernmental:

On occasion, the Department may lease portions of the Department owned or leased real property assets to non-intragovernmental entities, these are referred to as out-granted leases.

A summary of future lease receivables for the next five years and beyond as of September 30, 2024 *(dollars in millions)* is as follows.

Fiscal Year	Principal	Interest	Total
2025	$ 3	$ 1	$ 4
2026	3	1	4
2027	3	1	4
2028	3	1	4
2029	3	1	4
2030 – 2034	7	1	8
2035 – 2039	1	1	2
2040 – 2044	1	—	1
2045 – 2049	1	—	1
2050 – 2055	1	—	1
Lease Receivable, Net	$ 26	$ 7	$ 33

Fiscal Year 2023

Capital Leases

The Department has various leases for real property that meet the criteria as a capital lease in accordance with SFFAS No. 6, *Accounting for Property, Plant, and Equipment*. Assets that meet the definition of a capital lease and their related lease liability are initially recorded at the present value of the future minimum lease payments or fair market value, whichever is lower. In general, capital leases are depreciated over the estimated useful life or lease terms depending upon which capitalization criteria the capital lease meets at inception. The related liability is amortized over the term of the lease, which can result in a different value in the asset versus the liability.

The following is a summary of Net Assets under Capital Leases and Future Minimum Lease Payments as of September 30, 2023 *(dollars in millions)*. Lease liabilities are not covered by budgetary resources.

As of September 30,	**2023**
Net Assets under Capital Leases:	
Intragovernmental	
Buildings	$ 330
Accumulated Depreciation	(100)
Total Intragovernmental	230
Other than Intragovernmental	
Buildings	132
Accumulated Depreciation	(43)
Total Other than Intragovernmental	89
Net Assets under Capital Leases	$ 319

Future Minimum Lease Payments:

	2023
Fiscal Year	**Other than Intragovernmental Lease Payments**
2024	$ 7
2025	7
2026	7
2027	5
2028	5
2029 and Thereafter	55
Total Minimum Lease Payments	86
Less: Amount Representing Interest	(42)
Liabilities under Capital Leases	$ 44

Operating Leases

The Department leases real property under operating leases. These leases are non-Federal and expire in various years. Future minimum lease payments under operating leases have remaining terms in excess of one year as of September 30, 2023 for each of the next five years and in aggregate, are as follows *(dollars in millions)*:

Year Ended September 30, 2023	**Lease Payments**
2024	$ 437
2025	319
2026	211
2027	142
2028	81
2029 and Thereafter	183
Total Future Minimum Lease Payments	**$ 1,373**

13 Contingencies and Commitments

Contingencies

Legal Contingencies

The Department is a party in various administrative proceedings, legal matters, and claims, which may result in settlements or decisions adverse to the U.S. Government. These matters arise in the normal course of operations and include litigation (including pending or threatened litigation), administrative tort claims, assessments due to the United Nations and other international organizations, claims deriving from treaties or international agreements, unasserted claims, and others. As part of the Department's evaluation of estimates required in the preparation of its financial statements, the Department periodically reviews these legal matters and records an accrued liability for material contingencies when it thinks an adverse outcome is probable and when a reasonable estimate of the potential loss is measurable.

The Department believes that the claims in which an unfavorable opinion is considered probable could result in a range of estimable losses of $177 to $187 million as of September 30, 2024, and from $222 to $227 million as of September 30, 2023. As a result, a legal contingency of $177 and $222 million was accrued as of September 30, 2024, and 2023, respectively. The probable cases involved an Equal Employment Opportunity Commission claim, the Equal Access to Justice Act, a contract claim, a tort claim, and an international claim made against the United States. In addition, the Department identified claims in which an adverse outcome is reasonably possible and could result in a range of estimable losses of $40 to $365 million as of September 30, 2024, and from $15 to $130 million as of September 30, 2023. The reasonably possible cases involved contract disputes, claims related to embassy construction, administrative and tort claims, patent infringement, grievances, Equal Employment Opportunity Commission claims, the Freedom of Information Act, the Equal Access to Justice Act, and international claims made against the United States. The Department does not record an accrual for cases where the likelihood of an unfavorable outcome is less than probable, or the Department cannot estimate the potential loss.

Certain legal matters to which the Department is a party are administered and, in some instances, litigated and paid by other U.S. Government agencies. Generally, amounts to be paid under any decision, settlement, or award pertaining to these legal matters are funded from the Judgment Fund, which is administered by Treasury. Judgment Fund payments for Department cases covered under the Contract Disputes Act of 1978 and the Notification and Federal Employee Antidiscrimination and Retaliation Act of 2002 are required to be reimbursed to Treasury from Department appropriations. Total reimbursable Judgment Fund payments on behalf of the Department totaled $32 million and $1 million as of September 30, 2024, and 2023, respectively.

As a part of the Department's continuing evaluation of estimates required for its financial statements, the agency recognized settlements of claims and lawsuits and revised other contingent liability estimates. Management and the Office of the Legal Advisor believe the Department has made adequate provision for the amounts that may become due under the suits, claims, and proceedings discussed herein.

Environmental Contingencies

The Department is responsible for environmental cleanup costs associated with its facilities' friable and non-friable asbestos, as well as lead-based paint cleanup. To estimate its environmental contingencies, the Department's Bureau of Overseas Buildings Operations (OBO) periodically assesses foreign posts to identify buildings that have asbestos-containing building materials. Upon completion of this analysis, the results are recorded in OBO's asbestos management database. The Department uses a cost-modeling technique to estimate asbestos-abatement costs. A liability is recognized for environmental costs that are both probable and reasonably estimable (see *Note 9, Other Liabilities*).

A summary of each type of contingency, their likelihood, and the estimated range of loss as of September 30, 2024, and 2023 (*dollars in millions*) follows.

	2024			2023		
	Accrued Liabilities	Estimated Range of Loss		Accrued Liabilities	Estimated Range of Loss	
		Lower End	Upper End		Lower End	Upper End
Legal Contingencies:						
Probable	$ 177	$ 177	$ 187	$ 222	$ 222	$ 227
Reasonably Possible	$ —	$ 40	$ 365	$ —	$ 15	$ 130
Environmental Contingencies:						
Probable	$ 51	$ 51	$ 51	$ 52	$ 52	$ 52
Reasonably Possible	$ —	$ —	$ —	$ —	$ —	$ —

Commitments

In addition to the future lease commitments discussed in *Note 12, Leases*, the Department is committed under obligations for goods and services that have been ordered but not yet received at fiscal year-end. These are termed undelivered orders (see *Note 16, Combined Statements of Budgetary Resources*).

Rewards Programs

Under the State Department Basic Authorities Act of 1956, as amended (22 U.S.C. 2708, et seq.), the Department has the authority to operate rewards programs to assist in the promotion of national security, and the prevention of narcotics trafficking, war crimes, and transnational organized crime. A description of these programs follows.

- The **Rewards for Justice (RFJ)** mission is to generate useful information that protects Americans and furthers U.S. national security. The program was established by the 1984 Act to Combat International Terrorism and is administered by the Department's Bureau of Diplomatic Security. Since 1984, Congress has expanded RFJ's statutory authority to offer rewards for information on international terrorism, foreign-linked interference in U.S. elections, hostage taking, foreign-directed malicious cyber activities against the United States, and the Democratic People's Republic of Korea sanctions violators. See the *Rewards for Justice* website.

- Since 1986, the **Narcotics Rewards Program (NRP)**, has been an effective tool to assist the U.S. Government in disrupting and dismantling transnational drug trafficking organizations to protect American lives and U.S. national security. Administered by the Bureau of International Narcotics and Law Enforcement Affairs, the program gives the Secretary of State statutory authority to offer rewards of up to $25 million for information leading to the arrest and/or conviction of narcotics traffickers who operate primarily outside the United States and are major violations of U.S. narcotics laws. To date, the NRP has helped to bring more than 90 transnational criminals and major narcotics traffickers to justice.

- The **War Crimes Rewards Program** is operated out of the Department's Office of Global Criminal Justice. It offers rewards of up to $5 million for information that leads to the arrest or conviction in any country, or the transfer to or conviction by an international, hybrid, or mixed tribunal of foreign nationals accused of war crimes, genocide, or crimes against humanity, as defined under the statute of such country or tribunal or U.S. law. This program has contributed to more than 20 prosecutions of fugitives accused of these crimes.

- Since 2013, the **Transnational Organized Crime Rewards Program**, has supported law enforcement efforts to disrupt and dismantle illicit trafficking and other transnational criminal networks to protect American lives and U.S. national security. Operated out of the Bureau of International Narcotics and Law Enforcement Affairs, this program gives the Secretary of State statutory authority to offer rewards of up to $25 million for information leading to the identification, location, arrest, and/or conviction of significant transnational criminals, with crimes including but not limited to migrant smuggling and human trafficking, cybercrime, arms trafficking, import/export violations, money laundering, and wildlife trafficking. In 2024, reward payments for ransomware targets were completed for the first time.

Pending offers under the four rewards programs total $2.4 billion. Under the programs, the Department has paid out $441 million since 2003. Reward payments are funded from Diplomatic Programs, prior year expired, unobligated balances using available transfer authorities, as necessary. Management and the Legal Advisor believe there is adequate funding for the amounts that may become due under the rewards programs.

14 Funds from Dedicated Collections

The Department administers 10 Funds from Dedicated Collections as listed. They are presented in accordance with SFFAS No. 43, *Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds*. There are no intra-departmental transactions between the various funds from dedicated collections.

Consular and Border Security Programs

Treasury Fund Symbol	Description	Statute
019X5713	Consular and Border Security Programs	Public Law No. 115-31

Other Funds

Treasury Fund Symbol	Description	Statute
019X5515	H-1B and L Fraud Prevention and Detection Account	118 Stat. 3357
019X8166	American Studies Endowment Fund	108 Stat. 425
019X8167	Trust Funds	22 U.S.C. 1479
019X8271	Israeli Arab Scholarship Programs	105 Stat. 696, 697
019X8272	Eastern Europe Student Exchange Endowment Fund	105 Stat. 699
019X8813	Center for Middle Eastern-Western Dialogue Trust Fund	118 Stat. 84
019X8821	Unconditional Gift Fund	22 U.S.C. 809, 1046
019X8822	Conditional Gift Fund	22 U.S.C. 809, 1046
570X8276	Eisenhower Exchange Fellowship Program Trust Fund	Public Law No. 101-454

The Consular and Border Security Programs (CBSP) fund uses consular fee and surcharge revenue collected from the public to fund CBSP programs and activities, consistent with applicable statutory authorities. These fees and surcharges include Machine Readable Visa fees, Western Hemisphere Travel Initiative surcharges, Passport Security surcharges, Expedited Passport fees, Immigrant Visa Security surcharges, Diversity Visa Lottery fees, Passport Application and Execution Fees, and Affidavit of Support fees. The CBSP fund is the largest dedicated collections program managed by the Department and is presented in a separate column in the accompanying note schedule.

The following note schedule displays the dedicated collection amounts as of September 30, 2024 and 2023 *(dollars in millions)*.

	2024			2023		
	Consular and Border Security Programs	Other Funds from Dedicated Collections	Total Funds from Dedicated Collections (Consolidated)	Consular and Border Security Programs	Other Funds from Dedicated Collections	Total Funds from Dedicated Collections (Consolidated)
Balance Sheets as of September 30,						
ASSETS						
Intragovernmental Assets:						
Fund Balance with Treasury	$ 5,480	$ 120	$ 5,600	$ 4,473	$ 116	$ 4,589
Investments, Net	—	48	48	—	48	48
Advances and Prepayments	141	—	141	119	—	119
Total Intragovernmental Assets	5,621	168	5,789	4,592	164	4,756
Other than Intragovernmental Assets:						
Accounts Receivable, Net	2	—	2	2	—	2
Property and Equipment, Net	214	120	334	200	120	320
Advances and Prepayments	17	—	17	13	(1)	12
Total Other than Intragovernmental Assets	233	120	353	215	119	334
Total Assets	**$ 5,854**	**$ 288**	**$ 6,142**	**$ 4,807**	**$ 283**	**$ 5,090**
LIABILITIES						
Intragovernmental Liabilities:						
Accounts Payable	$ 37	$ 8	$ 45	$ 27	$ —	$ 27
Advances from Others and Deferred Revenue	7	—	7	6	—	6
Other Liabilities	31	—	31	27	—	27
Total Intragovernmental Liabilities	75	8	83	60	—	60
Other than Intragovernmental Liabilities:						
Accounts Payable	213	1	214	129	2	131
Federal Employee Salary, Leave, and Benefits Payable	119	—	119	100	—	100
Total Other than Intragovernmental Liabilities	332	1	333	229	2	231
Total Liabilities	**407**	**9**	**416**	**289**	**2**	**291**
NET POSITION						
Unexpended Appropriations	—	—	—	—	—	—
Cumulative Results of Operations	5,447	279	5,726	4,518	281	4,799
Total Liabilities and Net Position	**$ 5,854**	**$ 288**	**$ 6,142**	**$ 4,807**	**$ 283**	**$ 5,090**
Statements of Net Cost for the Years Ended September 30,						
Gross Program Costs	$ 4,806	$ 85	$ 4,891	$ 4,167	$ 64	$ 4,231
Less: Earned Revenues	5,627	1	5,628	5,530	1	5,531
Net Program Costs	(821)	84	(737)	(1,363)	63	(1,300)
Net Cost of Operations	**$ (821)**	**$ 84**	**$ (737)**	**$ (1,363)**	**$ 63**	**$ (1,300)**
Statements of Changes in Net Position for the Years Ended September 30,						
Unexpended Appropriations						
Beginning Balances	$ —	$ —	$ —	$ 1	$ —	$ 1
Appropriations Used	—	—	—	(1)	—	(1)
Total Unexpended Appropriations	**—**	**—**	**—**	**—**	**—**	**—**

	2024			2023		
	Consular and Border Security Programs	**Other Funds from Dedicated Collections**	**Total Funds from Dedicated Collections (Consolidated)**	**Consular and Border Security Programs**	**Other Funds from Dedicated Collections**	**Total Funds from Dedicated Collections (Consolidated)**
Cumulative Results of Operations						
Beginning Balances	$ 4,518	$ 281	$ 4,799	$ 2,913	$ 265	$ 3,178
Appropriations Used	—	—	—	1	—	1
Donations and Forfeitures of Cash & Property	—	31	31	—	34	34
Transfers In(Out) Without Reimbursement	4	51	55	148	45	193
Imputed Financing	104	—	104	93	—	93
Net Cost of Operations	821	(84)	737	1,363	(63)	1,300
Net Change in Cumulative Results of Operations	929	(2)	927	1,605	16	1,621
Total Cumulative Results of Operations	**5,447**	**279**	**5,726**	**4,518**	**281**	**4,799**
Net Position, End of Period	**$ 5,447**	**$ 279**	**$ 5,726**	**$ 4,518**	**$ 281**	**$ 4,799**

15 Statements of Net Cost

The Consolidated Statements of Net Cost report the Department's gross cost and net cost by strategic goal. The net cost of operations is the gross (i.e., total) cost incurred by the Department, less any exchange (i.e., earned) revenue. The Department's total net cost of operations amounted to $37,512 million and $35,478 million in 2024 and 2023, respectively.

The presentation of net costs by strategic goal is based on the Department's current Joint Strategic Plan, established pursuant to the Government Performance and Results Act (GPRA) of 1993, as amended by the GPRA Modernization Act of 2010. The Department's five strategic goals are defined in the *Management's Discussion and Analysis* section of this report.

The Consolidating Schedule of Net Cost displays gross costs and earned revenues by strategic goal, as well as by major program and responsibility segment. A responsibility segment is the component that carries out a mission or major line of activity, and whose managers report directly to top management. For the Department, a Bureau (e.g., Bureau of African Affairs) is considered a responsibility segment. For presentation purposes, Bureaus have been summarized and reported at the Under Secretary level and include six responsibility segments: (1) Arms Control and International Security; (2) Management and Consular Affairs; (3) Civilian Security, Democracy, and Human Rights; (4) Economic Growth, Energy, and Environment; (5) Political Affairs; and (6) Public Diplomacy and Public Affairs.

The Consolidating Schedule of Net Cost for the year ended September 30, 2024, follows:

CONSOLIDATING SCHEDULE OF NET COST

For the Year Ended September 30, 2024

(dollars in millions)

STRATEGIC GOAL	Under Secretary for: Arms Control, Int'l Security	Management-Consular Affairs	Civilian Security, Democracy and Human Rights	Economic Growth, Energy and Environment	Political Affairs	Public Diplomacy and Public Affairs	Intra-Departmental Eliminations	Total
SG1: Renew U.S. leadership and mobilize coalitions to address the global challenges that have the greatest impact on Americans' security and well-being.								
Gross Costs	$ 1,661	$ 2	$ 14,090	$ 28	$ 9,723	$ 460	$ (1,236)	$ 24,728
Earned Revenue	(414)	(1)	(156)	—	(1,238)	(42)	1,134	(717)
Net Program Costs	1,247	1	13,934	28	8,485	418	(102)	24,011
SG2: Promote global prosperity and shape an international environment in which the United States can thrive.								
Gross Costs	14	1	15	123	2,476	375	(777)	2,227
Earned Revenue	(3)	(2)	11	—	(1,058)	(62)	726	(388)
Net Program Costs	11	(1)	26	123	1,418	313	(51)	1,839
SG3: Strengthen democratic institutions, uphold universal values, and promote human dignity.								
Gross Costs	11	1	2,114	10	1,883	390	(799)	3,610
Earned Revenue	(3)	—	(185)	—	(877)	(79)	745	(399)
Net Program Costs	8	1	1,929	10	1,006	311	(54)	3,211
SG4: Revitalize the diplomatic and development workforce and institutions.								
Gross Costs	223	473	259	209	10,737	2,434	(3,245)	11,090
Earned Revenue	(598)	(787)	51	(1)	(4,388)	(109)	3,069	(2,763)
Net Program Costs	(375)	(314)	310	208	6,349	2,325	(176)	8,327
SG5: Serve U.S. Citizens around the world and facilitate secure international travel.								
Gross Costs	—	6,259	3	1	190	2	(178)	6,277
Earned Revenue	(10)	(6,052)	—	—	(13)	—	94	(5,981)
Net Program Costs	(10)	207	3	1	177	2	(84)	296
Net Program Costs Before Assumption Changes	**881**	**(106)**	**16,202**	**370**	**17,435**	**3,369**	**(467)**	**37,684**
Actuarial Gain on Pension Assumption Changes	(6)	(11)	(11)	(5)	(250)	(56)	—	(339)
Net Program Costs Including Assumption Changes	875	(117)	16,191	365	17,185	3,313	(467)	37,345
Cost Not Assigned to Programs								
Gross Costs	—	—	6	—	162	—	—	168
Earned Revenue	—	—	—	—	(1)	—	—	(1)
Net Costs	—	—	6	—	161	—	—	167
Total Gross Costs	**1,903**	**6,725**	**16,476**	**366**	**24,921**	**3,605**	**(6,235)**	**47,761**
Total Earned Revenue	**(1,028)**	**(6,842)**	**(279)**	**(1)**	**(7,575)**	**(292)**	**5,768**	**(10,249)**
Net Cost of Operations	**$ 875**	**$ (117)**	**$ 16,197**	**$ 365**	**$ 17,346**	**$ 3,313**	**$ (467)**	**$ 37,512**

Since the costs incurred by the Under Secretary for Management and the Secretariat are primarily support costs, these costs were allocated to the other Under Secretaries to show the full costs under the responsibility segments that have direct control over the Department's programs. One exception within the Under Secretary for Management is the Bureau of Consular Affairs, which is responsible for protecting the lives and serving the interests of U.S. citizens abroad, including the issuance of millions of U.S. passports each year. As a result, these costs were classified as direct costs and were not allocated across the responsibility segments like the other general management and support costs associated with the Under Secretary for Management.

The Under Secretary for Management/Secretariat costs (except for those related to the Bureau of Consular Affairs) were allocated to the other Department responsibility segments based on the percentage of total costs by organization for each program. The allocation of these costs to the other Under Secretaries and to the Bureau of Consular Affairs in 2024 and 2023, follows *(dollars in millions)*:

Under Secretary	2024	2023
Political Affairs	$ 15,796	$ 15,420
Management (Consular Affairs)	2,039	2,560
Public Diplomacy and Public Affairs	2,636	2,792
Arms Control, International Security Affairs	1,010	1,218
Civilian Security, Democracy and Human Rights	7,650	6,558
Economic Growth, Energy and Environment	252	235
Total	$ 29,383	$ 28,783

Inter-Entity Costs and Imputed Financing:
Full cost includes the costs of goods or services provided by other Federal entities (referred to as inter-entity costs), regardless of whether the providing entity is reimbursed. To measure the full cost of activities, SFFAS No. 4, *Managerial Cost Accounting*, as amended by SFFAS No. 55, *Amending Inter-entity Cost Provisions*, require that total costs of programs include costs that are paid by other U.S. Government entities, if material.

The Department recognizes an imputed financing source on the Statements of Changes in Net Position (SCNP) for the value of inter-entity costs paid by other U.S. Government entities. This consists of all inter-entity amounts as reported in the following note schedule, except for the Federal Workers' Compensation Benefits (FWCB). For FWCB, the Department recognizes its share of the change in the actuarial liability for FWCB, as determined by the U.S. Department of Labor (DOL). The Department reimburses DOL for FWCB paid to current and former Department employees. Unreimbursed costs of goods and services, other than those identified, are not included in the financial statements.

The following inter-entity costs and imputed financing sources were recognized in the Statements of Net Cost and SCNP, for the years ended September 30, 2024, and 2023 *(dollars in millions)*:

Inter-Entity Costs	2024	2023
Other Post-Employment Benefits:		
Civil Service Retirement Program	$ 102	$ 59
Federal Employees Health Benefits Program	210	214
Federal Employees Group Life Insurance Program	1	1
Subtotal – Imputed Financing Source	313	274
Future Workers' Compensation Benefits	19	18
Total Inter-Entity Costs	$ 332	$ 292

Intra-Departmental Eliminations:
Intra-departmental eliminations of cost and revenue were recorded against the program that provided the service. Therefore, the full program cost was reported by leaving the reporting of cost with the program that received the service.

Earned Revenues

Earned revenues occur when the Department provides goods or services to the public or another Federal entity for a price. Earned revenues are reported regardless of whether the Department is permitted to retain all or part of the revenue. Specifically, the Department collects, but does not retain passport, visa, and certain other consular fees. Any portion of exchange revenue that cannot be retained is reported as a transfer out on the SCNP.

Earned revenues for the years ended September 30, 2024, and 2023, follow *(dollars in millions)*:

	2024			2023		
Earned Revenues	**Total Prior to Eliminations**	**Intra-Departmental Eliminations**	**Total**	**Total Prior to Eliminations**	**Intra-Departmental Eliminations**	**Total**
Consular Fees:						
Passport, Visa and Other Consular Fees	$ 695	$ —	$ 695	$ 744	$ —	$ 744
Machine Readable Visa	2,595	—	2,595	2,268	—	2,268
Expedited Passport	396	—	396	480	—	480
Passport, Visa and Other Surcharges	2,106	—	2,106	2,225	—	2,225
Fingerprint Processing, Diversity Lottery, and Affidavit of Support	60	—	60	66	—	66
Subtotal – Consular Fees	5,852	—	5,852	5,783	—	5,783
FSRDF	1,753	987	766	1,541	892	649
ICASS	3,666	2,633	1,033	3,561	2,558	1,003
Other Reimbursable Agreements	2,802	544	2,258	2,869	612	2,257
Working Capital Fund	1,792	1,538	254	1,608	1,380	228
Other	152	66	86	118	68	50
Total	$ 16,017	$ 5,768	$10,249	$ 15,480	$ 5,510	$ 9,970

Pricing Policies

Generally, a Federal agency may not earn revenue from outside sources unless it obtains specific statutory authority. Accordingly, the pricing policy for any earned revenue depends on the revenue's nature, and the statutory authority under which the Department is allowed to earn and retain (or not retain) the revenue. Earned revenue that the Department is not authorized to retain is deposited into the Treasury's General Fund.

The FSRDF finances the operations of the FSRDS and the FSPS. The FSRDF receives revenue from employee/employer contributions, a U.S. Government contribution, and interest on investments. By law, FSRDS participants contribute 7.25 percent of their base salary, and each employing agency contributes 7.25 percent; FSPS participants contribute 1.35 percent, 3.65 percent, or 4.95 percent of their base salary depending on their start date, and each employing agency contributes 20.22 percent or 17.92 percent. Employing agencies report employee/employer contributions biweekly. Total employee/employer contributions for 2024 and 2023 were $505 million and $466 million, respectively.

The FSRDF also receives a U.S. Government contribution to finance (1) FSRDS benefits not funded by employee/employer contributions; (2) interest on FSRDS unfunded liability; (3) FSRDS disbursements attributable to military service; and (4) FSPS supplemental liability payment. The U.S. Government contributions for 2024 and 2023 were $609 million and $541 million, respectively. FSRDF cash resources are invested in special non-marketable securities issued by the Treasury. Total interest earned on these investments for 2024 and 2023 were $638 million and $534 million, respectively.

Consular Fees are established primarily on a cost-recovery basis and are determined by periodic cost studies. Certain fees, such as the machine-readable Border Crossing Cards, are determined statutorily. Reimbursable Agreements with Federal agencies are established and billed on a cost-recovery basis. ICASS billings are computed on a cost-recovery basis; billings are calculated to cover all operating, overhead, and replacement costs of capital assets, based on budget submissions, budget updates, and other factors. In addition to services covered under ICASS, the Department provides administrative support to other agencies overseas for which the Department does not charge. Areas of support primarily include buildings and facilities, diplomatic security (other than the local guard program), overseas employment, communications, diplomatic pouch, receptionist and selected information management activities. The Department receives direct appropriations to provide this support.

16 Combined Statements of Budgetary Resources

The Combined Statements of Budgetary Resources report information on how budgetary resources were made available and their status as of and for the years ended September 30, 2024 and 2023. Intra-departmental transactions have not been eliminated in the amounts presented.

The Budgetary Resources section presents the total budgetary resources available to the Department. For the years ended September 30, 2024 and 2023, the Department received approximately $87.2 billion and $84.5 billion in budgetary resources, respectively, primarily consisting of the following:

Source of Budgetary Resources *(dollars in billions)*	**2024**	**2023**
Budget Authority:		
Direct or Related Appropriations	$ 38.2	$ 35.9
Authority Financed from Trust Funds	5.6	6.3
Spending Authority from Providing Goods and Services	8.8	8.2
Unobligated Balance from Prior Year Budget Authority, Net	34.6	34.1
Total Budgetary Resources	$ 87.2	$ 84.5

Unobligated Balance from Prior Year Budget Authority, Net *(dollars in billions)*	**2024**	**2023**
Unobligated Balance – End of Prior Year	$ 32.7	$ 28.9
Transfers In/Out Prior Year Authority	—	3.1
Recoveries of Prior Year Paid Obligations	0.2	0.2
Recoveries of Prior Year Unpaid Obligations	2.0	2.1
Funds Returned to Treasury	(0.3)	(0.2)
Unobligated Balance from Prior Year Budget Authority, Net	$ 34.6	$ 34.1

Status of Undelivered Orders

Undelivered Orders (UDO) represents the amount of goods and/or services ordered, which have not been actually or constructively received. This amount includes any orders which may have been prepaid or advanced but for which delivery or performance has not yet occurred.

The amount of budgetary resources obligated for UDO for all activities as of September 30, 2024 and 2023, was approximately $36.4 billion and $33.9 billion, respectively. This includes amounts of $3.5 billion for September 30, 2024 and $3.1 billion for September 30, 2023, pertaining to revolving funds, trust funds, and substantial commercial activities. Of the budgetary resources obligated for UDO for all activities as of September 30, 2024, $33.4 billion is for undelivered, unpaid orders and $3.0 billion is for undelivered, paid orders. The amounts for both Federal and Non-Federal undelivered orders as of September 30, 2024, are as follows:

Undelivered Orders as of September 30, 2024 *(dollars in millions)*	**Federal**	**Non-Federal**	**Total**
Paid	$ 1,939	$ 1,069	$ 3,008
Unpaid	760	32,360	33,120
Total	$ 2,699	$ 33,429	$ 36,128

Permanent Indefinite Appropriations

A permanent indefinite appropriation is open-ended as to both its period of availability (amount of time the agency has to spend the funds) and its amount. The Department received permanent indefinite appropriations of $450 million and $382 million for 2024 and 2023, respectively. The permanent indefinite appropriation provides payments to the FSRDF to finance the interest on the unfunded pension liability for the year, Foreign Service Pension System, and disbursements attributable to liability from military service.

Reconciliation of the Combined Statements of Budgetary Resources to the Budget of the U.S. Government

The reconciliation of the Combined Statements of Budgetary Resources and the actual amounts reported in the Budget of the U.S. Government (Budget) as of September 30, 2023, is presented in the following note schedule. Since these financial statements are published before the Budget, this reconciliation is based on the 2023 Combined Statements of Budgetary Resources because actual amounts for 2023 are in the most recently published Budget (i.e., 2025). The Budget with actual numbers for September 30, 2024, will be published in the 2026 Budget and available in early February 2025. The Department of State's Budget Appendix includes this information and is available on *OMB's* website.

As shown in the following note schedule, Expired Funds are not included in the Budget. Additionally, the International Assistance Program, included in these financial statements, is reported separately in the Budget. Other differences represent financial statement adjustments, timing differences, and other immaterial differences between amounts reported in the Department's Combined Statements of Budgetary Resources and the Budget.

For the Fiscal Year Ended September 30, 2023 ***(dollars in millions)***	**Budgetary Resources**	**Obligations Incurred**	**Distributed Offsetting Receipts**	**Net Outlays**
Combined Statements of Budgetary Resources	$ 84,511	$ 51,785	$ 6,166	$ 34,631
Distributed Offsetting Receipts	—	—	(6,166)	6,166
Funds not Reported in the Budget:				
Expired Funds	(1,072)	—	—	—
Undelivered Orders Adjustment	(459)	—	—	—
Other and Rounding Errors	(11)	(7)	—	(4)
Budget of the U.S. Government	$ 82,969	$ 51,778	$ —	$ 40,793

17 Custodial Activity

The Department administers certain custodial activities associated with the collection of non-exchange revenues. The revenues consist of interest, penalties and handling fees on accounts receivable, fines, civil penalties and forfeitures, taxes, and other miscellaneous receipts. The Department does not retain the amounts collected. Accordingly, these amounts are not reported as financial or budgetary resources for the Department. At the end of each fiscal year, the accounts close and the balances are deposited and recorded directly to the General Fund of the Treasury. The custodial revenue amounts are considered immaterial and incidental to the Department's mission. In 2024 and 2023, the Department collected $54 million and $16 million, respectively, in custodial revenues that were transferred to Treasury.

18 Fiduciary Activities

The Department maintains fiduciary accounts for the Resolution of Iraqi Claims (19X6038), Republic of Sudan Claims Settlement Fund (19X6223), Settlement of Claims Against Libya (19X6224), Saudi Arabian Critical Infrastructure Protection Fund (19X6225), France Holocaust Deportation Claims Settlement Fund (19X6226), and Belgium Pension Claims Settlement Fund (19X6227). These funds are presented in accordance with SFFAS No. 31, *Accounting for Fiduciary Activities*, and OMB Circular A-136. These deposit funds were authorized by claims settlement agreements between the United States of America and the Governments of Iraq, Sudan, Libya, Saudi Arabia, France, and Belgium. The agreements authorized the Department to collect contributions from donors for the purpose of providing compensation for certain claims within the scope of the agreements, investment of contributions into Treasury securities, and disbursement of contributions received in accordance with the agreements. As specified in the agreements, donors could include governments, institutions, entities, corporations, associations, and individuals. The Department manages these funds in a fiduciary capacity and does not have ownership rights against its contributions and investments; the assets and activities summarized in the following schedules do not appear in the financial statements. Three of the funds (19X6038, 19X6224, and 19X6227) had no activity for the years ending September 30, 2024 and 2023, and are combined in the schedules under the header "Other Fiduciary Funds." The Department's fiduciary activities follow.

Schedule of Fiduciary Activity

As of September 30, *(dollars in millions)*	**2024**					**2023**				
	19X6223	**19X6225**	**19X6226**	**Other Fiduciary Funds**	**Total**	**19X6223**	**19X6225**	**19X6226**	**Other Fiduciary Funds**	**Total**
Fiduciary Net Assets, Beginning of Year	$ 1	$ 9	$ 2	$ —	$ 12	$ 90	$ 29	$ 2	$ —	$ 121
Contributions	—	10	—	—	10	—	(20)	—	—	(20)
Investment Earnings	—	—	—	—	—	1	—	—	—	1
Disbursements to and on Behalf of Beneficiaries	—	—	—	—	—	(90)	—	—	—	(90)
Increases/(Decreases) in Fiduciary Net Assets	—	10	—	—	10	(89)	(20)	—	—	(109)
Fiduciary Net Assets, End of Year	$ 1	$ 19	$ 2	$ —	$ 22	$ 1	$ 9	$ 2	$ —	$ 12

Fiduciary Net Assets

As of September 30, *(dollars in millions)*	**2024**					**2023**				
Fiduciary Assets	**19X6223**	**19X6225**	**19X6226**	**Other Fiduciary Funds**	**Total**	**19X6223**	**19X6225**	**19X6226**	**Other Fiduciary Funds**	**Total**
Fund Balance with Treasury	$ 1	$ 19	$ 2	$ —	$ 22	$ 1	$ 9	$ 2	$ —	$ 12
Investments										
Investment in Treasury Securities	—	—	—	—	—	—	—	—	—	—
Total Fiduciary Net Assets	$ 1	$ 19	$ 2	$ —	$ 22	$ 1	$ 9	$ 2	$ —	$ 12

19 Reconciliation of Net Cost to Net Outlays

The reconciliation of the net cost of operations to the budgetary outlays is required by SFFAS No. 53, *Budget and Accrual Reconciliation*, amended SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting* and SFFAS No. 24, *Selected Standards for the Consolidated Financial Report of the United States Government*, and rescinded SFFAS No. 22, *Change in Certain Requirements for Reconciling Obligations and Net Cost of Operations*. Budgetary accounting, used to prepare the Statements of Budgetary Resources, and financial (proprietary) accounting, used to prepare the other principal financial statements, are complementary, yet different accounting methods. Although both methods disclose information about the Department's assets, liabilities, and net cost of operations, the timing of their recognition are different. The reconciliation of net outlays and net cost clarifies the relationship between budgetary and financial accounting information. The reconciliation starts with the net cost of operations as reported on the Statements of Net Cost and adjusted by components of net cost that are not part of net outlays. The first section of the reconciliation presents components of net cost that are not part of net outlays. Common components can include depreciation, imputed costs, or changes in assets and liabilities. The second section adjusts the budget outlays that are not part of net operating cost. Components of budget outlays that are not part of net operating cost include acquisition of capital assets, inventory, and other assets.

For the Years Ended September 30, *(dollars in millions)*	**2024**			**2023**
	Intra-governmental	**With the Public**	**Total**	**Total**
Net Cost	**$ 265**	**$ 37,247**	**$ 37,512**	**$ 35,478**
Passport Fees Collection that are not Part of Net Outlays	—	225	225	254
Components of Net Cost that are not Part of Net Outlays:				
Property and Equipment Depreciation	—	(1,371)	(1,371)	(1,312)
Property and Equipment Gain(Loss) on Disposal & Revaluation	—	(32)	(32)	(5)
Lessee Lease Amortization	—	(477)	(477)	—
Gain/(Loss) on Lease Cancellations	—	453	453	—
Applied Overhead/Cost Capitalization Offset	—	2,558	2,558	2,805
Increase/(Decrease) in Assets:				
Accounts Receivable, Net	22	(2)	20	(12)
Direct Loans and Loan Guarantees Receivable, Net	—	4	4	—
Securities and Investments	39	—	39	25
Other Assets	681	164	845	(160)
(Increase)/Decrease in Liabilities:				
Accounts Payable	63	326	389	(213)
Loans Guarantee Liability/Loans Payable	1	—	1	(2)
Lessee Lease Liability	—	(2,835)	(2,835)	—
Environmental and Disposal Liabilities	—	1	1	—
Federal Employee Salary, Leave, and Benefits Payable	—	(90)	(90)	(34)
Pension and Post-Employment Benefits Payable	—	(1,257)	(1,257)	(2,013)
Other Liabilities	(368)	(205)	(573)	(822)
Financing Sources:				
Imputed Cost	(313)	—	(313)	(274)
Total Components of Net Cost that are not Part of Net Outlays	**125**	**(2,763)**	**(2,638)**	**(2,017)**
Financing Sources:				
Donated Revenue	—	(30)	(30)	(21)
Transfers Out(In) Without Reimbursements	218	—	218	7
Total Components of the Budget Outlays that are not Part of Net Operating Cost	**218**	**(30)**	**188**	**(14)**
Miscellaneous Items				
Distributed Offsetting Receipts	—	(6,307)	(6,307)	(6,166)
Recognition of Right-to-Use Lease Assets	—	2,533	2,533	—
Custodial/Non-Exchange Revenue	(2)	—	(2)	(26)
Other Temporary Timing Differences	—	4	4	—
Appropriated Receipts for Trust/Special Funds	—	7,437	7,437	7,122
Total Other Reconciling Items	**(2)**	**3,667**	**3,665**	**930**
Total Net Outlays	**$ 606**	**$ 38,346**	**$ 38,952**	**$ 34,631**

20 Reclassification of Statement of Net Cost and Statement of Changes in Net Position

To prepare the Financial Report of the U.S. Government (FR), the Department of the Treasury requires agencies to submit an adjusted trial balance, which is a listing of amounts by U.S. Standard General Ledger account that appear in the financial statements. Treasury uses the trial balance information reported in the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to develop a Reclassified Statement of Net Cost and a Reclassified Statement of Changes in Net Position for each agency, which are accessed using GTAS. Treasury eliminates all intragovernmental balances from the reclassified statements and aggregates lines with the same title to develop the FR statements. This Note shows the Department's financial statements and the U.S. Government-wide reclassified statements prior to elimination of intragovernmental balances and prior to aggregation of repeated FR line items.

2024 Statement of Net Cost ***(dollars in millions)***		**2024 Government-wide Reclassified Statement of Net Cost** ***(dollars in millions)***				
Financial Statement Line	**Total**	**Dedicated Collections Combined**	**All Other Amounts (with Eliminations)**	**Eliminations Between Dedicated and All Other**	**Total**	**Reclassified Financial Statement Line**
						Non-Federal Costs
Cost and Gain on Assumption Changes	$ 47,761	$ 2,568	$ 41,083	$ —	$ 43,651	Non-Federal Gross Cost
			(339)	—	(339)	Gain on Changes in Actuarial Assumptions (Non-Federal)
		2,568	40,744	—	43,312	**Total Non-Federal Costs**
						Intragovernmental Costs
		165	528	(49)	644	Benefit Program Costs
		104	261	(52)	313	Imputed Costs
		2,007	2,087	(916)	3,178	Buy/Sell Costs
		47	267	—	314	Other Expenses (without Reciprocals)
		2,323	3,143	(1,017)	4,449	**Total Intragovernmental Costs**
Total Gross Costs	**47,761**	**4,891**	**43,887**	**(1,017)**	**47,761**	**Total Reclassified Gross Costs**
Earned Revenue	10,249	5,593	472	—	6,065	**Non-Federal Earned Revenue**
						Intragovernmental Earned Revenue
		34	4,336	(916)	3,454	Buy/Sell Revenue
		—	130	(49)	81	Benefit Program Revenue
		1	648	—	649	Federal Securities Interest Revenue Including Associated Gains/Losses (Exchange)
		35	5,114	(965)	4,184	**Total Intragovernmental Earned Revenue**
Total Earned Revenue	**10,249**	**5,628**	**5,586**	**(965)**	**10,249**	**Total Reclassified Earned Revenue**
Net Cost of Operations	**$ 37,512**	**$ (737)**	**$ 38,301**	**$ (52)**	**$ 37,512**	**Net Cost**

2024 Statement of Changes in Net Position *(dollars in millions)*		**2024 Government-wide Reclassified Statement of Changes in Net Position *(dollars in millions)***				
Financial Statement Line	**Amounts**	**Dedicated Collections Combined**	**All Other Amounts (with Eliminations)**	**Eliminations Between Dedicated and All Other**	**Total**	**Reclassified Financial Statement Line**
Unexpended Appropriations – Beginning Balances	$49,716	$ —	$49,716	$ —	$49,716	Unexpended Appropriations – Beginning Balance
Budgetary Financing Sources						
Appropriations Received	38,673	—	38,673	—	38,673	Appropriations Received
Other Adjustments	(522)	—	(522)	—	(522)	
Appropriations Transferred In(Out)	(318)					
		—	26,137	(26,104)	33	Non-Expenditure Transfers-In of Unexpended Appropriations and Financing Sources
		—	(26,455)	26,104	(351)	Non-Expenditure Transfer-Out of Unexpended Appropriations and Financing Sources
Appropriations Used	(39,268)	—	(39,268)	—	(39,268)	Appropriations Used
Total Unexpended Appropriations	**48,281**	**—**	**48,281**	**—**	**48,281**	**Total Unexpended Appropriations**
Cumulative Results of Operations – Beginning Balances	$29,059	$ 4,799	$ 24,260	$ —	$29,059	Cumulative Results of Operations – Beginning
Other Adjustments	(13)	—	(13)	—	(13)	Revenue and Other Financing Sources – Cancellations
Appropriations Used	39,268	—	39,268	—	39,268	Appropriations Expended
Donations and Forfeitures of Cash and Cash Equivalents	30	30	—	—	30	Other Taxes and Receipts (Non-Federal)
Donations and Forfeitures of Property	1	1	—	—	1	
Transfers In(Out) Without Reimbursement	(65)					
		4	101	(5)	100	Non-Expenditure Transfers-In of Unexpended Appropriations and Financing Sources
		—	(5)	5	—	Non-Expenditure Transfers-Out of Unexpended Appropriations and Financing Sources
		—	(214)	—	(214)	Expenditure transfer-out of financing sources
		52	—	—	52	Appropriation of Unavailable Special or Trust Fund Receipts Transfers-In
		(1)	—	—	(1)	Appropriation of Unavailable Special or Trust Fund Receipts Transfers-Out
		—	32	(33)	(1)	Transfers-In Without Reimbursement
		—	(34)	33	(1)	Transfers-Out Without Reimbursement
Imputed Financing	313	104	261	(52)	313	Imputed Financing Sources
Non-Entity Collections	(229)	—	(229)	—	(229)	Non-Entity Custodial Collections Transferred to the General Fund
Net Cost of Operations	(37,512)	737	(38,301)	52	(37,512)	Net Cost of Operations
Total Cumulative Results of Operations	**30,852**	**5,726**	**25,126**	**—**	**30,852**	**Total Cumulative Results of Operations**
Net Position	**$79,133**	**$ 5,726**	**$ 73,407**	**$ —**	**$79,133**	**Total Net Position**

Required Supplementary Information

Unaudited, See Accompanying Auditor's Report

Combining Statement of Budgetary Resources

COMBINING STATEMENT OF BUDGETARY RESOURCES
For the Year Ended September 30, 2024 *(dollars in millions)*

	Administration of Foreign Affairs	International Organizations	International Commissions	Foreign Assistance	Other	Total
Budgetary Resources:						
Unobligated Balance from Prior Year Budget Authority, Net	$ 15,605	$ 678	$ 107	$ 1,556	$ 16,698	$ 34,644
Appropriations (Discretionary and Mandatory)	19,024	2,911	313	1,842	19,739	43,829
Borrowing Authority (Discretionary and Mandatory)	2	—	—	—	—	2
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	8,364	—	302	44	36	8,746
Total Budgetary Resources	**$ 42,995**	**$ 3,589**	**$ 722**	**$ 3,442**	**$ 36,473**	**$ 87,221**
Status of Budgetary Resources:						
New Obligations and Upward Adjustments (Total)	$ 29,944	$ 3,346	$ 300	$ 2,112	$ 21,789	$ 57,491
Unobligated Balance, End of Year:						
Apportioned, Unexpired Accounts	12,038	236	409	1,207	14,314	28,204
Exempt from Apportionment, Unexpired Accounts	494	—	—	3	3	500
Unapportioned, Unexpired Accounts	111	7	7	—	213	338
Unexpired Unobligated Balance, End of Year	12,643	243	416	1,210	14,530	29,042
Expired Unobligated Balance, End of Year	408	—	6	120	154	688
Unobligated Balance, End of Year (Total)	13,051	243	422	1,330	14,684	29,730
Total Budgetary Resources	**$ 42,995**	**$ 3,589**	**$ 722**	**$ 3,442**	**$ 36,473**	**$ 87,221**
Outlays, Net:						
Outlays, Net (Total) (Discretionary and Mandatory)	$ 20,180	$ 3,366	$ (103)	$ 1,987	$ 19,829	$ 45,259
Distributed Offsetting Receipts	(6,307)	—	—	—	—	(6,307)
Agency Outlays, Net (Discretionary and Mandatory)	**$ 13,873**	**$ 3,366**	**$ (103)**	**$ 1,987**	**$ 19,829**	**$ 38,952**

Deferred Maintenance and Repairs

Deferred Maintenance and Repairs (DM&R) are maintenance and repairs that were not performed when they should have been or were scheduled to be, and which are put off or delayed for a future period. Maintenance and repairs are activities directed towards keeping General Property and Equipment in acceptable operating condition. These activities include corrective maintenance, repairs, replacement of systems and parts or components, and other activities needed to preserve the real property asset so that it can deliver acceptable performance and achieve its expected life. Deferred Maintenance and Repairs exclude activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, those originally intended capacities and/or purposes. The Department occupies more than 9,300 Government-owned or long-term leased real properties at more than 270 overseas locations, numerous domestic locations, and at the IBWC.

Deferred Maintenance and Repairs Policy – Measuring, Ranking and Prioritizing

The methodology for calculating DM&R is based on the Facility Condition Index (FCI). This methodology accounts for all government-owned real property facilities globally without the reliance on a manual data call process, allowing for a more complete DM&R estimate. FCI is the ratio of repair needs to the replacement value of a facility as calculated by:

$$\text{FCI} = \left\{1 - \left(\frac{\$\text{ Repair Needs}}{\$\text{ Replacement Value}}\right)\right\} \text{X } 100\%$$

Repair needs are defined as the non-recurring costs that reflect the amount necessary to ensure that a constructed asset is restored to a condition substantially equivalent to the originally intended and designed capacity, efficiency, or capability. In accordance with Federal Real Property Council guidance, the total repair needs can be reported at the time of the condition survey or parametric modeling exercise. The Department uses parametric modeling to determine the total repair needs and is supplemented by repair needs identified by overseas posts. The modeling is based on the age and expected useful life of individual building systems and deterioration curves to reflect how systems decline over time, and the annual update of models includes inflation cost factors.

Replacement value is defined as the cost to design, acquire, and construct an asset to replace an existing asset of the same functionality, size, and location using current costs, building codes, and standards. Neither the current condition of the asset nor the future need for the asset is a factor in the replacement value estimate. The Department's Office of Cost Management determines replacement unit rates based on construction costs for each real property use code recorded in its Real Property Application. The Department multiplies these unit rates by the size of each property to determine and update replacement values.

Deferred Maintenance and Repairs is defined by SFFAS No. 42, *Deferred Maintenance and Repairs*, which includes activities directed toward keeping fixed assets in an acceptable condition and specifies that management should determine which methods to apply and what condition standards are acceptable. Applying this guidance, the Department's management has determined that an FCI score of 70 percent indicates an acceptable condition.

Due to the large number of new facilities constructed over the past 20 years, the overall FCI for the Department's overseas asset inventory is currently at 82 percent. However, the condition of approximately 25 percent of the overseas real properties are below the acceptable level. The proportion of properties with an FCI score below 70 percent increases with age. As a result, the Department's DM&R is determined to be the total repairs needed to consistently maintain all owned and capital leased properties up to an acceptable FCI score of 70 percent.

Factors Considered in Determining Acceptable Condition

The Department's General Property and Equipment mission is to provide secure, safe, functional, and sustainable facilities that represent the U.S. Government and provide the physical platform for U.S. Government employees at the Department's embassies, consulates, and domestic locations as they work to achieve U.S. foreign policy objectives.

The facility management of U.S. diplomatic and consular properties overseas is complex, which impacts the success and failure of properties and infrastructure on human life, welfare, morale, safety, and the provision of essential operations and services. Facility management also has a large impact on the environment and on budgets, requiring a resilient approach that results in buildings and infrastructure that are efficient, reliable, cost effective, and sustainable over their life cycle. This occurs at properties of varying age, configuration, and construction quality in every climate and culture in the world. Some posts have the task of keeping an aging or historic property in good working order, while others must operate a complex new building that may be the most technologically advanced in the country.

The Department continues to make progress on refining and developing its plan to address DM&R. The Department's Bureau of Overseas Buildings Operations (OBO) forecasts funding for its overseas DM&R backlog based on parametric models generated from OBO's Global Maintenance Management System. OBO is addressing the overseas DM&R backlog by implementing a Sustainment, Restoration, and Modernization (SRM) framework, which was deployed in October 2019. The SRM framework includes site surveys and data collection from the Department's embassies and consulates as part of the Annual Facility Condition Surveys, which is one of the recommended methodologies in SFFAS No. 42. The SRM framework can better project operational and maintenance costs for the life cycle of facilities in its overseas portfolio by identifying, categorizing, and prioritizing requirements based on the FCI. This methodology helps the Department optimize its corrective and preventive maintenance spending, while ensuring that its facilities are maintained in an acceptable condition.

For the Department's domestic facilities, the Bureau of Administration validates its DM&R requirements on an annual basis via a holistic facility condition assessment at the building system level of detail. These requirements are generally prioritized according to a risk construct that is comprised of a function between building system condition and its impact to mission should the asset fail. Highest risk maintenance and repairs are prioritized first.

The Department's DM&R balances as of September 30, 2024, and 2023, follow.

Deferred Maintenance and Repairs *(dollars in millions)*

Asset Category	2024			2023		
	Domestic and Overseas	IBWC	Total	Domestic and Overseas	IBWC	Total
General Property and Equipment	$ 1,469	$ 8	$ 1,477	$ 2,205	$ 8	$ 2,213
Heritage Assets (Secretary of State's Register of Culturally Significant Property)	1,298	1	1,299	472	3	475
Total	**$ 2,767**	**$ 9**	**$ 2,776**	**$ 2,677**	**$ 11**	**$ 2,688**

Land

The Department holds land predominantly for operational purposes. This land is located domestically and overseas to fulfill its foreign policy mission. The Department's land is principally General Property, Plant, and Equipment; except for a small IBWC-administered parcel holding the archeological remains of Fort Brown, a battlefield site in south Texas.

The Office of Real Property Management oversees the Department's domestic real estate portfolio, including office, infrastructure, and warehouse space. The Department manages more than 150 domestic properties leased through the GSA and more than 80 GSA-owned and Department-owned buildings. The largest domestic land tracts are used for training and the consolidation of operations.

Overseas land is managed by the Department's Bureau of Overseas Buildings Operations to ensure that the U.S. diplomatic missions have safe, secure, functional, and resilient facilities that represent the U.S. Government to the host nation and support Department staff in their work to achieve U.S. foreign policy objectives. The Foreign Service Buildings Act of 1926, as amended, granted the Secretary of State the authority to acquire sites and buildings in foreign capitals and cities, to maintain these properties, and to dispose of any surplus properties.

The IBWC is responsible for the management of programs, facilities, and infrastructure created pursuant to treaties between the United States and Mexico.

The following schedule reports the Department's land, by predominant use, as of September 30, 2024, and 2023.

Land by Predominant Use (Estimated Number of Acres)

Location	Commercial	Conservation and Preservation	Operational	Total Estimated Acreage
Start of Prior Year (October 1, 2022)				
Domestic	—	—	937.36	937.36
Overseas	—	—	4,696.62	4,696.62
IBWC	—	2.81	146,747.83	146,750.64
Total	—	2.81	152,381.81	152,384.62
End of Prior Year (September 30, 2023)/Start of Current Year (October 1, 2023)				
Domestic	—	—	937.36	937.36
Overseas	—	—	4,704.21	4,704.21
IBWC	—	2.81	146,211.86	146,214.67
Total	—	2.81	151,853.43	151,856.24
End of Current Year (September 30, 2024)				
Domestic	—	—	937.36	937.36
Overseas	—	—	5,206.46	5,206.46
IBWC	—	2.81	146,211.86	146,214.67
Total	—	2.81	152,355.68	152,358.49

* The end of prior year (September 30, 2023) domestic land balance was increased from the amount reported in last year's report to include a 12.78-acre leased parcel.

** Only 2.81 acres of the 166.44-acre Fort Brown parcel is registered as a historical landmark in the National Register of Historic Places and is considered stewardship land. At the beginning and end of the fiscal year, the Fort Brown land was also deemed held for disposal or exchange. House Resolution 268, passed by the U.S. House of Representatives, would transfer the entire 166.44-acre parcel to the Palo Alto Battlefield National Historical Park, managed by the National Park Service. As of the fiscal year end, this bill was still under consideration by the U.S. Senate.

IN FOCUS

A Champion of Youth Leadership in Nigeria

Adediran Adegoke. *Department of State*

Adediran Adegoke (often referred to as ‘Diran [pronounced DEE-RUN]) is the Country Youth Engagement Specialist responsible for managing the Young African Leaders Initiative (YALI), coordinating alumni, and promoting U.S. interests in northern Nigeria. ‘Diran is an alumnus of YALI’s Mandela Washington Fellowship – a program he now supports directly in his role at the U.S. Embassy Public Affairs Section in Abuja, Nigeria.

In 2014, ‘Diran was part of the Mandela Washington Fellowship program, after which he joined the U.S. Mission in 2015 to help manage the YALI program. His experience spans the fields of Information Technology, Human Resources, and Public Management having worked at Entertainment Highway Ltd., SystemSpecs, and the Joint Admissions and Matriculation Board in Nigeria.

In 2024, the Bureau of Educational and Cultural Affairs, who manages the YALI program for the Department, incorporated activities he developed for pre-departure orientations in Nigeria into materials used to prepare all 700 Mandela Washington Fellows across sub-Saharan Africa each year.

In addition to these contributions, ‘Diran continues to play a key role in establishing and maintaining positive relationships with hundreds of current and future young African leaders on behalf of the U.S. Government, demonstrating genuine care and attentiveness to each of the applicants, participants, and alumni with whom he interacts in his role.

‘Diran’s hands-on approach to engaging with young leaders in Africa’s most populous country, standing at more than 230 million people (70 percent are between the ages of 18-45) is vital to building and maintaining strong ties with the next generation of Nigerian leaders.

Section III:

Other Information

Unaudited, See Accompanying Auditor's Report

Summary of Financial Statement Audit and Management Assurances

As described in the *Departmental Governance* section, the Department tracks audit material weaknesses as well as other requirements of the Federal Managers' Financial Integrity Act of 1982 (FMFIA). Table 11 and Table 12 show management's summary of these matters as required by the U.S. Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, revised.

Table 11. Summary of Financial Statement Audit

Audit Opinion:	**Unmodified**
Restatement:	**No**

MATERIAL WEAKNESSES	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	ENDING BALANCE
Total Material Weaknesses	**0**	**0**	**0**	**0**	**0**

Table 12. Summary of Management Assurances

MATERIAL WEAKNESSES	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	REASSESSED	ENDING BALANCE
EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING (FMFIA § 2)						
Statement of Assurance:	**Unmodified**					
Total Material Weaknesses	**0**	**0**	**0**	**0**	**0**	**0**
EFFECTIVENESS OF INTERNAL CONTROL OVER OPERATIONS (FMFIA § 2)						
Statement of Assurance:	**Unmodified**					
Total Material Weaknesses	**0**	**0**	**0**	**0**	**0**	**0**
CONFORMANCE WITH FEDERAL FINANCIAL MANAGEMENT SYSTEM REQUIREMENTS (FMFIA § 4)						
Statement of Assurance:	**Federal systems conform to financial management system requirements**					
Total Non-conformances	**0**	**0**	**0**	**0**	**0**	**0**

	AGENCY	AUDITOR
COMPLIANCE WITH SECTION 803(a) OF THE FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA)		
1. Federal Financial Management System Requirements	Compliance noted	Compliance noted
2. Applicable Federal Accounting Standards	Compliance noted	Compliance noted
3. USSGL at Transaction Level	Compliance noted	Compliance noted

Definition of Terms

Beginning Balance: The beginning balance must agree with the ending balance from the prior year.
New: The total number of material weaknesses/non-conformances identified during the current year.
Resolved: The total number of material weaknesses/non-conformances that dropped below the level of materiality in the current year.
Consolidated: The combining of two or more findings.
Reassessed: The removal of any finding not attributable to corrective actions (e.g., management has re-evaluated and determined that a finding does not meet the criteria for materiality or is redefined as more correctly classified under another heading).
Ending Balance: The year-end balance that will be the beginning balance next year.

The Department's Challenges and Management's Response

Office of Inspector General Introduction

Each year, in accordance with the Reports Consolidation Act of 2000[1], the Office of Inspector General (OIG) for the Department of State (Department) identifies the most significant management and performance challenges facing the Department and provides a brief assessment of the Department's progress in addressing those challenges. We evaluate progress primarily through our compliance process, which tracks and assesses the Department's efforts to implement corrective actions related to OIG recommendations. We determine challenges by taking a qualitative and holistic view of our body of oversight work, giving particular weight to common issues that appear to impact the Department systemically.

We assess the Department's major management and performance challenges as falling into three primary areas:

- **Safety and Security.** Deficiencies that implicate the Department's ability to ensure the safety and security of its personnel and their families, its facilities and other property, or its information.
- **Stewardship.** Deficiencies that implicate the Department's ability to efficiently and effectively manage its significant resources, financial and otherwise.
- **Staffing and Organizational Structure.** Deficiencies that implicate the Department's ability to manage its human capital and design and maintain an organizational structure that conveys clear lines of authority and responsibility.

Additionally, throughout this report we highlight some of the difficulties the Department faces when operating in contingency environments and crisis situations. We have assessed this as a cross-cutting issue that can have implications for the overarching performance and management challenge areas.

This document includes examples of OIG reports and findings completed in 2024 that illustrate these challenge areas. In addition to publicly available work, OIG issues Sensitive But Unclassified[2] and classified reports throughout the year. Although we are only able to discuss unclassified portions of our reports here, many of the findings that are not publicly available reinforce our assessment of these management challenges.

[1] The Reports Consolidation Act of 2000, § 3, Public Law 106-531 (amending 31 United States Code [U.S.C.] § 3516)

[2] Sensitive But Unclassified material is information that is not classified for national security reasons, but warrants/requires administrative control and protection from public or other unauthorized disclosure for other reasons.

Management Introduction

Secretary Blinken's Modernization Agenda continues to guide ambitious undertakings across the Department to equip us to meet today's emerging challenges. Through new investments, realignment of resources, strategic risk-taking, and innovation, the Department made significant progress in 2024 to advance Modernization Agenda initiatives and to address major management and performance challenges, including those flagged by the Office of Inspector General (OIG) in this report. The Modernization Agenda focuses on the following three lines of effort with desired end-states:

1. **Critical Missions:** The workforce and the Department are well equipped to meet the challenges of diplomacy in the 21st Century in six particularly critical foreign policy priority areas – cyberspace and emerging technologies; climate, environment, and energy; global health diplomacy; strategic competition with the PRC; economic statecraft; and multilateral diplomacy.
2. **Workforce:** The Department is a model workplace that attracts and retains top talent, across all hiring categories, including Civil Service, Foreign Service, temporary, and contract positions.
3. **Risk and Innovation:** The Department enjoys a culture of thoughtful risk management that enables agility and innovation in setting up platforms, systems, and processes to equip and enable our workforce to succeed.

Many Modernization Agenda accomplishments in 2024 also address the three themes in this report. For example, to highlight just one accomplishment aligned with each OIG theme:

- **Safety and Security:** The Department's leadership on safe, secure implementation of artificial intelligence (AI) tools to advance diplomacy is a key Risk and Innovation accomplishment.
- **Stewardship:** The Department's creation in 2024 of the Journey to Unleash Manager Potential initiative for first-time and middle managers intends to eliminate many stewardship and other management-related deficiencies through clear expectation setting, learning, and feedback, supporting the Workforce line of effort.
- **Staffing and Organizational Structure:** In 2023-2024, the Department used all available hiring mechanisms and intensified recruitment to achieve record onboarding numbers in both the Foreign and Civil Service.

The above illustrate the Department's ongoing efforts to modernize our institution, workforce, and technology not only to better enable the practice of diplomacy, but also to address recurring deficient areas identified by the OIG. Additional examples on the Modernization Agenda lines of effort include:

Critical Missions: The Department's Office of Policy Planning's nearly 30-page study of gaps and barriers in our six critical foreign policy mission areas mentioned above guided Department efforts in 2024. The study resulted from engaging more than 1,600 experts and employees around the world and yielded a dozen recommendations for closing identified gaps – as such, it is a roadmap to success in these six critical mission areas. The

Department also continued implementation of staffing-related initiatives on key critical mission areas in 2024. We:

- Capitalized on expanded funding from Congress by adding 250 additional positions to our "training float," which allowed us to offer long-term training and details without creating corresponding staffing gaps;
- Developed climate and cyber fellowships at flagship universities, details to foster economic statecraft, and overseas excursions in the multilateral space;
- Expanded Regional China, Regional Environmental, and Regional Technology Officer program footprints; and
- Published a new pre-classified standard job description for a locally employed (LE) staff data scientist position.

The renaming and corresponding expansion of the bureau formerly known as Information Resource Management was a significant rebranding to reflect the critical cyberspace and emerging technologies foreign policy priority area. Now Diplomatic Technology (DT), the bureau announced its very intentional approach to upskill. With nearly all former Information Resource Management Foreign Service Specialists now known as Diplomatic Technology Officers, DT professionals stand ready to conceptualize, acquire, develop, and troubleshoot technology solutions to enable modern diplomacy. The Foreign Service Institute (FSI) has correspondingly expanded training opportunities for diplomacy on cyberspace and emerging technologies, launching three new or expanded courses and curating three AI-specific online learning paths for beginners, intermediate, and expert users.

Workforce: We continued to address issues that make serving abroad challenging, from eligible family member employment and workplace flexibilities to the particular obstacles that LGBTQ+ employees, those with disabilities, and employees of color may face in some overseas locations. For example, the Department held a global town hall on modernization of the medical clearance process and expanded non-competitive eligibility criteria to allow eligible family members to use the status more than once within the three-year eligibility period. In June, the Department hosted our first-ever Diversity, Equity, Inclusion, and Accessibility (DEIA) Leadership Summit. This two-day event assembled more than 200 U.S. direct hire Civil and Foreign Service first-time supervisors from across the Department to inform them on key DEIA initiatives and best practices for fostering DEIA in the workplace. To enhance the learning experience, FSI developed a six-month learning journey for participants to deepen understanding of DEIA concepts and apply them to their everyday work experience.

To address training needs and in support of the Department's 2023 Learning Policy, FSI expanded its External Training Program by 250 percent in 2024 to allow increased participation. We inaugurated the 2024 DEIA Distinguished Scholar Speaker Series, a nine-session webinar series highlighting cutting-edge scientific research on DEIA to better inform participants on evidence-based workplace DEIA initiatives. FSI developed the IDEA Competency Framework which serves as a guide for instructional designers and facilitators to develop modules and resources for the Department meeting best in class industry standards. Additionally, FSI created the IDEA Lens, a self-directed, just-in-time, DEIA learning tool designed to provide practical application of DEIA concepts in the Department. Meanwhile, the Department implemented bystander intervention training to create a more inclusive and accountable workplace reached approximately 3,000 domestic and overseas employees.

We revamped the public State Careers website with information about accessibility, reasonable accommodations, and Schedule A non-competitive hiring for Civil Service positions. Through increased recruitment, use of Schedule A non-competitive hiring, and self-identification the Department increased the representation of employees with disabilities from 14.6 percent in 2023 to 20.5 percent in 2024. We also launched the *Disabilities Powering Diplomacy* project, featuring high-performing Department employees with disabilities, which disrupts the narrative around disability and advances disability pride.

For employees with disabilities, we released accessibility applications to allow them to independently download and use screen-reading software, magnification software, a color contrast tool, and more. We also revised the Disability and Reasonable Accommodations course to better help employees understand accessibility, the reasonable accommodation process, and the Department's legal responsibilities. Additionally, the Department also added a new Foreign Affairs Manual (FAM) subchapter related to religious accommodations and released a planning calendar for religious observances to enhance religious awareness and inclusion.

In support of the Modernization Agenda goal regarding improving the Foreign Service performance management processes, the Foreign Service Selection Board began in 2024 to review Generalist FSOs at grades FS-02 and above for cross-functional (class-wide) promotion in addition to the "cone-based" process. This diversification has expanded the paths to advancement in the Foreign Service. We also began distributing Foreign Service Selection Board scoring rubric results to employees to improve transparency in the promotion process and help employees identify potential areas for further growth. For the Civil Service, in 2024, we launched the Civil Service Career Pathing Tool to help employees find a path for advancement based on their experiences and skills.

We also conducted our first annual Mission Leadership and Management Survey (MLMS) in December 2023 and January 2024, which aimed to reinforce positive leadership practices and identify areas for constructive development. The MLMS solicited workforce feedback on the leadership and management performance of senior leaders overseas, defined as Chiefs of Mission, Deputy Chiefs of Mission, Chargés d'Affaires ad interim, and Principal Officers. In addition to meeting a Congressional requirement, the MLMS reinforced the Department's commitment to accountable leadership and transparency. More information about the survey results and next steps are included later in this report.

The MLMS was a key component of 2024 being our "Year of Accountability." The Department has defined accountability as ensuring we fulfill our responsibility to employees, and that employees fulfill their responsibility to each other and the Department. Other components of this year-long focus on accountability included:

- Sharing 12 tips for leaders to help manage workload for their teams and avoid burnout;
- Receiving nominations from around the world to recognize managers who helped balance workload, support professional development, empower optimal performance, and care for their teams;

- Providing tools and resources to strengthen employees' managerial and leadership skills through the Journey to Unleash Manager Potential initiative;
- Ongoing support from our Manager Support Unit, which has advised and trained more than 13,000 managers, supervisors, and human resource professionals worldwide in its first four years; and
- Establishing the Department's first Anti-Bullying Policy and dedicating resources to stand up the Workplace Conflict Prevention and Resolution Center in the Office of the Ombuds.

Risk and Innovation: The Department's broader work on risk and innovation aims to foster a culture of thoughtful risk management that enables agility and innovation in setting up platforms, systems, and processes to equip our workforce to succeed. During 2024, the Department published new FAM and Foreign Affairs Handbook guidance on enterprise risk management and introduced the Risk@State SharePoint site as our one-stop-shop for risk management resources, policies, bureau toolkits, and risk stories. FSI developed an online training module to introduce State's risk management policies and increased discussion of risk mitigation strategies in leadership and tradecraft courses.

The Department is widely recognized as the front-runner across the Federal Government for incorporating of technological solutions to improve efficiency and enable our workforce to spend more time engaging in the face-to-face interaction Secretary Blinken identifies as the core element of diplomacy. In 2024, the Department successfully launched Online Passport Renewal for U.S. citizens, which will improve customer service to meet today's expectations. Additionally, the Department of State's Artificial Intelligence Steering Committee formally released its first-ever Enterprise Artificial Intelligence Strategy in 2024, which established a centralized vision and guidance for AI innovation, to include infrastructure, policy, responsible and ethical use, governance, and culture.

The Secretary underscored the important role of AI in diplomacy during a fireside chat in June 2024 with our Chief Data and Artificial Intelligence Officer. His comments included:

> *AI is a tool… This technology is not a substitute for us. It's a complement to our work ... to make us more effective. All of you are being asked to do more with less … we're challenged for resources, even though we're fighting for them every single day. If we can have technology like AI that genuinely frees up people's time … that is an incredible source of freedom and opportunity for the workforce to make sure that it's focused on what really matters.*

Existing AI resources available to Department employees, nearly all of which launched in 2024, include:

- **AI.State:** A central hub for internal AI resources, trainings, and guidance.
- **StateChat:** Our first Sensitive But Unclassified-enabled chatbot, tested by 3,600 employees, and capable of summarizing, drafting, translating, and uploading documents.
- **Northstar:** A digital and social media analytics tool harnessing the power of AI to search, translate, and generate brief narrative summaries of more than one million daily news articles from more than 80,000 media outlets in over 100 languages, plus social media from

12 outlets around the world, in seconds. It also shares content and cross-platform engagement trends from hundreds of Department-owned social media channels in one place.

- **Data Collection and Management Tool:** An AI-powered research assistant, designed to augment report research with automated capabilities – such as summarization, translation, and categorization of user submitted material – for the Human Rights Country Reports, International Religious Freedom Reports, and Trafficking in Persons Reports, which collectively cost more than 150,000 person-hours annually to compile. Already leveraged by 180 users, the data collection and management tool saves almost 30 percent of annual time spent on these reports.
- **AI for Public Diplomacy Hub:** A collection of instructional videos, training materials, and guidance documents on approved AI services and OpenAI procurement for public diplomacy practitioners.
- **Foreign Affairs Manual Search:** One of several improved search tools for the Department, both through Sensitive But Unclassified-enabled chatbots and other tools.

Piloting of the above tools involved close collaboration with thousands of test users across the Department to employ the Department's AI chatbot for targeted use cases. This fostered innovation among the pilot participant community and promoted continuous feature enhancement. Input from beta testers helped build a platform that is not only powerful but is also tailored to address the unique challenges faced by the State Department workforce.

The Department has also learned an important lesson about AI – sometimes process improvements such as streamlining clearances, removing irrelevant questions or steps, and minimizing instruction changes add more value than technical interventions. The Department therefore continues to pursue such efforts to improve efficiency, as well. For example, we developed a new Statement of Assurance (SoA) checklist which reduced the total number of questions in the Management Controls Checklist from nearly 800, which had imposed an estimated 8,000-hour yearly burden not directly aligned with SoA attestations, to 55 questions, achieving a 93 percent reduction in the number of questions. Streamlining this process frees up valuable time for posts and bureaus to focus on implementing effective management controls and other critical management activities to address recurring deficiencies identified by the OIG.

We appreciate the information, constructive feedback, and trend analysis provided by the OIG in this report, and hope many of the above examples underscore the importance the Department places on addressing these recurring concerns at their root causes. The Department commits to continue addressing major challenges and taking corrective actions in response to OIG findings and recommendations. We welcome continued cooperation with the OIG towards that end, including a nascent effort beginning in late 2024 to build a more centralized and modern manner through available collaborative technology to enable more efficient and timely tracking of open recommendations as well as ongoing trend analysis. Department responses to specific recommendations in this report are in the respective sections that follow.

Safety and Security

As the Federal agency responsible for advancing the interests and security of Americans abroad through the implementation of U.S. foreign policy, the Department necessarily has a global footprint, with programs and operations in more than 190 countries. Given the breadth and diversity of its operating environments, safeguarding its personnel, property, and information against hostile or natural threats is a perennial challenge for the Department.

Much of our oversight work related to safety and security is classified for obvious reasons. The unclassified examples and findings included in this report represent a fraction of what our work reveals about this challenge.

Health and Safety

One aspect of this challenge is ensuring the health and safety of Department personnel and their families. The Department has policies and procedures in place that are designed to protect its people; but, as we have noted in previous years, the Department struggles to ensure compliance with its own standards. Our routine inspections of U.S. embassies and consulates abroad offer much insight on this challenge. Issues commonly identified in that body of work include failures to:

- Perform seismic evaluations of residential and non-residential properties;
- Enforce driver duty limits and training requirements related to operating official vehicles;
- Complete and document safety certifications for residential properties;
- Correctly identify safety deficiencies at residences before occupancy;
- Mitigate the fire and life-safety risks of high-rise residential properties; and
- Implement fire protection programs at facilities and residences.

In 2023, our work contained 116 recommendations to remedy deficiencies like those listed above.

In 2024, our work resulted in more than 270 recommendations to remedy such deficiencies. For example, we found Embassy Dili, which is in a very high seismic risk area, did not conduct seismic safety assessments for all residences. Leasing properties without performing seismic safety assessments poses significant risk to the safety of occupants, who could face injury or death in the event of an earthquake.[3] Another example: we found unresolved pool safety deficiencies at two posts in Africa.[4] Failure to comply with the Department's safety, health, and environmental management standards, such as those pertaining to pools, increases the risk of injury and loss of life.

Additionally, we inspected the Department's Bureau of Medical Services, which resulted in findings with implications for employee health and safety.[5] For example, we found the bureau's quality management procedures did not comply with health care industry standards requiring regular clinical performance reviews of medical providers. We also noted that staff vacancies, insufficient staffing, and increasing workloads affected some aspects of operations, including mental health support services.

Building and Maintaining Secure Facilities

In addition to health and safety concerns, another dimension of this challenge relates to the construction and maintenance of secure

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[3] OIG, *Inspection of Embassy Dili, Timor-Leste* (ISP-I-24-13, May 2024).

[4] OIG, *Inspection of Embassy Dar es Salaam, Tanzania* (ISP-I-24-12, March 2024) and OIG, *Inspection of Embassy Lilongwe, Malawi* (ISP-I-24-15, March 2024).

[5] OIG, *Inspection of the Bureau of Medical Services* (ISP-I-24-08, December 2023).

facilities. The Department's facilities must meet certain physical security requirements that are meant to reduce risk and vulnerabilities and to protect personnel, property, and information. When overseas posts identify facilities that do not meet the relevant physical security requirements, they first seek ways to bring the facilities into compliance, but when this is not possible, the Department may grant a waiver or an exception. In 2024, OIG reviewed the Bureau of Diplomatic Security's processes for granting such waivers and exceptions.[6] Although our work found that the bureau implemented some internal controls to ensure the effective functioning of the processes, there were areas for improvement. The bureau did not have formal controls in place to ensure mitigations that were approved as part of a waiver or exception were implemented. We also found the bureau did not require some overseas posts to seek exceptions when facilities did not meet standards.

Our inspection of Embassy Warsaw, Poland, offers a good example of the Department's difficulties with facilities maintenance.[7] Embassy Warsaw and Consulate General Krakow have outdated facilities. We found infrastructure concerns and issues in both locations, including increased maintenance, replacement, and repair needs for aging key building systems and significant security, fire, and safety vulnerabilities. At the time of the inspection, Embassy Warsaw's chancery and its annex had a long list of infrastructure update and repair needs. For example, the chancery windows were a source of constant problems involving temperature, noise, and outside pollutants. Many windows were sealed with duct tape to prevent cold air entering the chancery.

Information Security

The final dimension of this challenge relates to information security. The Department depends on information systems to function, and the security of these systems is vital to protecting national and economic security, public safety, and the flow of commerce. The Department acknowledges that its information systems and networks are subject to serious threats that can exploit and compromise sensitive information, and it takes steps to address these concerns. Nonetheless, in 2024, our work offered more than 30 recommendations to remedy deficiencies such as:

- Developing and testing contingency plans;
- Testing configuration changes prior to approval;
- Ensuring information systems security officers perform all required duties;
- Tracking users required to take specialized IT security training; and
- Monitoring and configuring dedicated internet networks.

As in previous years, the annual audit of the Department's information security program found that the Department did not have a fully implemented information security program based on evidence of security weaknesses identified in eight of nine domains, including risk management, supply chain risk management, configuration management, security training, and contingency planning.[8] The information security standards that form the criteria for this audit represent foundational guidelines for managing and reducing cyber risk by protecting networks and data. The Department's persistent inability to comply with those standards creates significant risk and will be a continued focus of our work. To illustrate, we are tracking 11 significant recommendations stemming from these annual security audits that the Department still has not taken sufficient action on to close. Two of these date to 2015.

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6 OIG, *Review of the Bureau of Diplomatic Security's Physical Security Waivers and Exceptions Processes* (ISP-I-24-19, June 2024).

7 OIG, *Inspection of Embassy Warsaw and Constituent Post, Poland* (ISP-I-24-18, June 2024).

8 OIG, *Audit of the Department of State FY 2024 Information Security Program* (AUD-IT-24-26, July 2024).

This year, we also performed a review of the Bureau of Diplomatic Technology's cloud services program management and found that the bureau's cloud computing policies and guidelines have not kept pace with the quickly evolving cloud computing landscape and the rollout of enterprise cloud services in the Department.[9] Although the bureau established processes and procedures to meet most Federal and Department security requirements and to monitor and control costs associated with enterprise cloud services, the bureau's policies and guidelines for governing the procurement, implementation, configuration, and use of cloud services in the Department were outdated and obsolete.

Contingency and Crisis Environments

The Department operates in countries that face critical terrorism, political violence, and crime threats. Emergency planning and crisis preparedness challenges at these posts are often exacerbated by security threats, evacuations, and other disruptions. In our review of Embassy Kyiv's operating status, OIG's objectives were to assess key operating challenges related to staffing, security, and facilities, areas particularly important to ensuring continuity of operations for the embassy.[10] Although most of the report's findings were Sensitive But Unclassified or classified, OIG identified several significant challenges that negatively affected the embassy's ability to accomplish its goals. OIG determined that the embassy generally implemented procedural and residential security measures to enable it to operate in a high-risk, wartime environment. However, OIG identified deficiencies in Embassy Kyiv's preparedness for an emergency. Specifically, the embassy had not completed annual updates to its Emergency Action Plan and security directives had not been updated and signed by the Ambassador. While the embassy corrected these deficiencies during OIG's review, OIG also recommended that the Department take steps to review contingency plans for operational, staffing, and security support requirements to address and mitigate future risks in Ukraine.

Progress

In 2024, the Department closed 276 OIG recommendations related to safety and security issues. This represents nearly half of all recommendations closed during the year.

An example of one of these recommendations comes from an audit we performed in 2023.[11] We had noted that the Bureau of Diplomatic Security had a large backlog of pending physical security surveys – surveys completed once every three years by posts to determine whether the facilities meet the appropriate physical security standards and, if not, to document the deficiencies to be remediated. We found that when surveys remained in a pending status, new deficiencies noted as part of the physical security surveys were not visible and did not contribute to the overall security profile of a post. Upon our recommendation, the bureau analyzed its backlog of physical security surveys and developed a plan of action to address and resolve the backlog. This action gives more assurance that security deficiencies can be remediated in a timely manner and that physical security mitigation actions can be taken to address security and life safety concerns.

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9 OIG, *Targeted Review of the Bureau of Diplomatic Technology's Cloud Services Program Management* (ISP-I-24-21, June 2024).

10 OIG, *Review of Embassy Kyiv's Operating Status* (ISP-S-24-01, October 2023).

11 OIG, *Audit of Physical Security Standards for Department of State Temporary Structures at Selected Overseas Posts* (AUD-SI-23-30, September 2023).

Management Response

Ensuring safety and security remains the Department's top priority. Although this year's management challenges have revealed areas for improvement, the Department has made significant strides in enhancing safety, facilities, crisis management, and cybersecurity.

The Department's overseas diplomatic real estate portfolio, managed by the Bureau of Overseas Buildings Operations (OBO), includes over 25,000 properties valued at $74.2 billion. These properties span 279 locations and directly support more than 100,000 personnel from approximately 30 U.S. Government agencies under Chief of Mission authority.

With a constant focus on employee safety overseas, the Department remains dedicated to enhancing employee safety by continually raising safety and health standards. In 2024, OBO's Office of Safety, Health, and Environmental Management (SHEM) evaluated several residential properties certified by Post Occupational Safety and Health Officers (POSHOs), leading to the revocation of some certifications. SHEM's evaluations reinforced the quality and accuracy required for POSHO certification and ultimately improved residential safety.

The Department also expanded our successful DriveCam program to 30 posts and implemented lessons learned from this program to all posts. DriveCam has reduced overseas fatalities by 75 percent and hospitalizations by 20 percent since the program began in 2009. Fiscal year 2024 also marked the first fiscal year with no official vehicle-related fatalities at any of the Department's overseas posts. The Department has implemented a robust driver safety and armored vehicle familiarization training program for overseas posts, increasing the number of certified instructors to over 350 and conducting 60 yearly train-the-trainer seminars. Participants in these seminars, in turn, train thousands of American and local national drivers worldwide. OBO documents driver training and duty hours as part of mishap reporting. We also audit driver training and daily hours worked, record findings and assessments in online tracking systems to ensure posts' compliance and share these reviews and records with the OIG in advance of post inspections – a testament to the effective partnership between the OIG and the Department.

Regarding the Department's fire protection programs at facilities and residences, OBO's Office of Fire Protection has a robust training program both domestically and internationally to provide support on not only fire protection but also fire systems, prevention, and "fire as a weapon." In 2024, the Office of Fire Protection increased its engineering, system technician, and fire marshal staff by 45 percent, enabling more efficient responses to fire system outages and allowing for annual instead of biennial assessments of each overseas post. In addition, the Department improved its fire protection policy to include a risk-based approach (the deliberate process of identifying, assessing, and managing risks to enhance decision making) to assess and mitigate building issues, including for high-rise spaces.

Over the past three years, the Department of State has significantly enhanced its seismic risk screening program to more efficiently and systematically identify buildings susceptible to major earthquake damage. This initiative aims to guide decisions towards acquiring or leasing seismically optimal buildings. In partnership with the U.S. Geological Survey, the Department has improved its understanding of the seismic hazards faced by diplomatic missions worldwide.

Additionally, OBO's Climate Security and Resilience (CS&R) program has shifted from subjective screening metrics to a modified version of FEMA's P-154 Rapid Visual Screening methodology. This transition has increased the efficiency of assessments and improved quality and consistency among engineers. In 2024, OBO evaluated properties at 27 posts, bringing the total number of posts assessed since 2022 to 60, or two-thirds of those identified for screening. This progress marks a significant advancement in seismic risk management. Specific to Dili, CS&R is completing a residential building screening report to inform housing acquisition and disposal decisions.

In terms of maintaining its overseas facilities, Mission Poland is working with OBO's Overseas Regional Support Center to address critical issues such as window and pipe replacement, office refurbishments, and other projects. Across all overseas posts, the Department is enhancing its projection of total facility life cycle costs and incorporating these projections into design decisions, prioritization, and maintenance processes. OBO integrates facilities maintenance into all aspects of the facility life cycle, addresses existing and potential natural hazards and their impact on facility designs, and incorporates energy resilience projects to achieve future operational cost savings.

The Bureau of Diplomatic Security's (DS) is also establishing internal controls processes to mitigate various safety and security risks worldwide. This initiative includes DS efforts to address several OIG audit recommendations regarding a backlog of pending physical security surveys, the accounting of deficiencies, and ensuring mitigations are approved using waivers or exceptions are implemented. DS reformatted and simplified the post physical security survey, enabling security professionals at overseas posts to easily determine whether the facilities meet required physical security standards. The new survey launched globally in May 2024 and is providing the Department a realistic understanding of physical security needs and deficiencies at its facilities. DS is also updating guidance to posts on waiver and exception requests, to include additional clarifications on when exceptions are required. DS enters all reported deficiencies for overseas facilities that fall under Chief of Mission authority into a database to ensure collaborative tracking, prioritization, and coordination. This includes a "post profile page" to track corresponding reported mitigations for these deficiencies. DS and OBO continue to improve the Department's practices and corresponding guidance on identifying deficiencies, assessing feasibility, and prioritizing projects to improve the safety and security of facilities.

In recent months, the Department's Bureau of Medical Services (MED) has worked diligently to address the recommendations with implications for employee health and safety made by the OIG in its inspection report. The OIG's recommendation regarding MED's Quality Management documents has been officially closed based on subsequent information MED provided to the OIG. In addition, MED has made significant progress addressing OIG's recommendation on Peer Reviews and will continue working assiduously to meet the requirements to close this recommendation as well.

The Bureau of Diplomatic Technology (DT) addressed longstanding deficiencies during the 2024 Federal Information Security Modernization Act inspection, leading to the closure of 11 recommendations from prior audit reports. These actions also yielded an improved maturity rating for one of nine FISMA domains assessed in the audit (Information Security Continuous Monitoring), to include closing out one recommendation from 2015.

The Department is making great strides to ensure that the deficiencies identified by the 2024 FISMA Audit are properly mitigated. By supporting the Diplomatic Technology Advisory Board, all configuration changes are approved and authorized prior to implementation. The Department also coordinates with other bureaus and offices to identify and track users with significant cybersecurity responsibilities to ensure that they complete all required specialized training to perform their duties. The Department is also executing a security controls migration to their Governance, Risk, and Compliance tool, which is expected to be complete by early 2025.

Since the review of DT's cloud service program, the bureau has reorganized. The Cloud Project Management Office resources have been aligned to better support the DT mission. The Bureau has closed out two of the 11 recommendations and published the *5 FAM 910, Information Technology (IT) Acquisition Policies*. Other initiatives include overhauling the existing cloud policies to better reflect Department cloud operations.

Missions Ukraine and Poland continue to work on cross-border contingency planning especially as "heating season" begins, when Kyiv is more vulnerable to Russian attacks on the country's energy grid. DS and the Operations Center Crisis Management teams convene regularly to participate in tabletop exercises, and EUR's EX also helps to refine contingency plans with post, DS, and the Operations Center. Specifically, the bureau coordinated the Operations Center Crisis Management and FSI's crisis management training teams to visit post and assist with emergency planning and scenario-based exercises. The bureau has also consolidated the Kyiv Transit Platform in Krakow to help augment logistical and crisis management support to both Missions Ukraine and Poland.

Stewardship

The Department has significant resources and as has been the case for many years, its ability to manage them efficiently and effectively is a challenge. We assess this challenge as having two primary dimensions related to financial and property management and oversight of Federal funding instruments.

Financial and Property Management

Internal controls over financial and property management have historically been a challenge for the Department. Weaknesses in property and equipment were initially reported during the audit of the Department's 2005 financial statements. Our most recent audit of the Department's financial statements found that its internal control structure continued to exhibit several deficiencies that negatively affected the Department's ability to account for property in a complete, accurate, and timely manner.[12] We concluded that the combination of property-related control deficiencies was a significant deficiency. The individual deficiencies identified were related to overseas real property, domestic construction projects, leases, personal

[12] OIG, *Independent Auditor's Report on the U.S. Department of State FY 2023 and FY 2022 Financial Statements* (AUD-FM 24-07, November 2023).

property, and internal use software. The audit also identified internal control deficiencies related to unliquidated obligations and financial reporting.

Oversight of Federal Funding Instruments

The Department also faces challenges in properly overseeing its contracts, grants, and cooperative agreements. Those responsible for oversight of contractors and grantees must monitor and document performance, confirm work is done in accordance with agreed upon terms, address nonperformance, and ensure that costs are effectively contained. Our inspection work often highlights deficiencies in this area at the overseas post level and bureau level.

Additionally, during our audit related to the construction of a new embassy compound in Mexico City, we found that the Department did not execute contract modifications for the construction contract in accordance with requirements.[13] Specifically, the project director did not assess the impact that the contract modifications would have on the overall construction project timeline, the Department did not always perform required pre-negotiation and negotiation activities to determine fair and reasonable pricing, and the contracting officer did not always obtain required contractor release statements to avoid exposing the Department to increased financial risk.

In another case, the Department redesigned a major guard services, personnel protection, and support services contract to address issues with the quality, oversight, and cost of training provided.[14] However, OIG could not determine whether this had resulted in improved training quality or achieved cost savings because the Department had not collected data; established baseline data or performance indicators; or developed a methodology to monitor, evaluate, and measure training quality improvements or cost savings.

As of the end of 2024, OIG was tracking 65 open recommendations intended to improve oversight of contractors and grantees at the Department.

Contingency and Crisis Environments

For programs and posts operating in contingency and critical environments, pervasive security concerns and widespread reliance on contractors and grantees can serve to contribute further to the Department's stewardship challenge.

In an example of the former, we audited the planning, design, construction, and commissioning of the central power plant at Embassy Baghdad and learned that Bureau of Overseas Buildings Operations officials, at the time the plant was under construction, felt that the project needed to be completed as soon as possible because of the security and life support needs at such a critical threat post.[15] Our audit ultimately found that the Department did not always follow Federal and Department requirements when executing the project and missed multiple opportunities to address known deficiencies. The primary reason for such failures was the desire to expedite completion of the project. Consequently, persistent performance problems have required the Department to incur significant costs. In another example of acting fast hindering good stewardship, we audited the Department's provision of humanitarian assistance to Ukraine and found that the responsible bureau did not include measurable objectives in the terms of its awards.[16] Absent specific, measurable objectives or corresponding performance indicators, the

[13] OIG, *Audit of Select Contract Administration Processes Related to the Construction of New Embassy Compound Mexico City, Mexico* (AUD-CGI-24-09, January 2024).

[14] OIG, *Audit of Worldwide Protective Services III Initial Training Consolidation Initiative* (AUD-SI-24-23, July 2024).

[15] OIG, *Audit of the Planning, Design, Construction, and Commissioning of the Central Power Plant at U.S. Embassy Baghdad, Iraq* (AUD-GEER-24-02, November 2023).

[16] OIG, *Audit of the Department of State's Humanitarian Response to the Ukraine Crisis* (AUD-GEER-24-16, May 2024).

Department was not positioned to track progress toward intended program results.

Contingency or crisis environments can also complicate good stewardship by making in-person monitoring and oversight difficult or impossible. For example, in our review of end-use-monitoring in Ukraine, we identified security restrictions as one of several ongoing challenges to conducting such monitoring.[17] Additionally, in an audit of the Bureau of International Security and Nonproliferation's administration of assistance to Ukraine, we found that security concerns and staffing limitations at Embassy Kyiv led the bureau to rely on alternative methods for monitoring its assistance.[18] We concluded that, in line with identified risk mitigation plans for grants and cooperative agreements, the bureau should explore other options for providing in-person monitoring.

Lastly, a recent audit on the disposition of sensitive security assets during and after the Embassy Kabul evacuation found that many of Embassy Kabul's security assets – including 63 percent of its armored vehicles and 26 percent of its firearms – were abandoned, mostly intact.[19] We concluded that several factors contributed to this, including Embassy Kabul maintaining more assets than what was needed, inadequate disposition planning, inadequate guidance, and insufficient training. We also noted that, although the Department has an interest in fully and accurately accounting for security assets that are left behind, this accounting did not occur due to the lack of a requirement to reconcile post assets following a suspension of operations and weaknesses in a key bureau's records management practices.

Progress

In 2024, the Department demonstrated it had taken the necessary actions to close 193 recommendations related to stewardship. This represents one-third of all recommendations closed during the year.

An example of one of these recommendations comes from a 2022 audit.[20] We identified multiple deficiencies with acquisition planning that resulted in the Department missing opportunities to expand its pool of potential construction contractors, and thus recommended that the Bureau of Overseas Buildings Operations coordinate with the Bureau of Administration to develop and implement processes to ensure acquisition planning for construction projects was performed in accordance with Federal regulations and Department policy. As a result of implementing this recommendation in 2024, we believe that the Department strengthened its efforts to promote competition related to costly construction awards.

Management Response

The Department benefits from the OIG's review to improve stewardship of its resources, such as those recommendations outlined in the audit related to select contract administration processes for the construction of the New Embassy Compound in Mexico City. Due in part to the OIG's report, OBO improved its collaboration with the contractor

[17] OIG, *Review of Department of State End-Use Monitoring in Ukraine* (ISP-I-24-02, November 2023).

[18] OIG, *Audit of the Bureau of International Security and Nonproliferation Administration of Assistance to Ukraine* (AUD-GEER-24-14, March 2024).

[19] OIG, *Supplemental Classified Report on the Audit of the Disposition of Sensitive Security Assets at U.S. Embassies Kabul, Afghanistan and Kyiv, Ukraine* (AUD-GEER-24-31, September 2024).

[20] OIG, *Audit of Department of State Efforts To Promote Competition for Overseas Construction Projects* (AUD-CGI-22-34, August 2022).

on this large construction project, holding regular planning sessions to accurately record and forecast activities leading to project completion and is working to clarify roles, responsibilities, and expectations regarding contract modifications. Notwithstanding the benefits that may be achieved from the recent audit, OBO construction projects remain generally below the normal rate for contract changes for both U.S. industry and U.S. Government, which is a substantial achievement given the high-risk environments in which the Department operates worldwide.

The Department appreciates the OIG's understanding of the challenges associated with planning, designing, and executing overseas diplomatic construction projects in unpredictable environments often plagued by rapidly changing security risks, political and civil unrest, evolving climate threats, and malign influence. In the example of the central power plant at Embassy Baghdad, OBO developed its own lessons learned and process improvements resulting from the challenges it faced with the power plant, and the OIG's report allowed OBO to reinforce those necessary improvements. For example, OBO has improved its process for prioritizing, planning, evaluating, and committing to capital investment projects across its real property portfolio and developed a data-driven capital planning process.

Over the past several years, DT has become a leader in U.S. Government cybersecurity. Additional information systems security officer (ISSO) and regional ISSO (RISSO) positions have been established since issuance of the OIG November 2020 report. "Continued Deficiencies in Performance of Information Systems Security Officer (ISSO) Responsibilities at Overseas Posts." The Department has expanded the Information Technology Cybersecurity Skills Incentive Agile program, which includes both overseas and domestic positions with titles of ISSO, ISSO (Cyber), RISSO, or RISSO (Cyber). DT Cyber Operations has identified a budget of $250,000 for external training for ISSOs. The Department is also working on co-location of ISSOs with DS Regional Cyber Security, which will enhance collaboration within the two Bureaus. DS and DT are close to finalizing a memorandum of understanding defining how the ISSO and regional cybersecurity officer programs will interact. Furthermore, DT has established a Cyber Hygiene Scorecard that leverages iPost data for Bureaus to review their cybersecurity performance data in the dashboard and identify and remediate issues. Bureaus can work with the Cybersecurity Integrity Center and/or the iPost team to update data in systems of record as needed.

Recent Department discussions covered specific use cases on how AI is supporting negotiations, combatting disinformation, and aiding in media monitoring around the globe to keep diplomats informed on global developments in real time. Secretary Blinken has highlighted existing Department tools such as Northstar and StateChat (currently in beta testing), which are transforming operational efficiency and enabling less face-to-screen and more time face-to-face. He also highlighted the risks associated with AI and the importance of strengthening cybersecurity, mitigating biases, and expanding awareness of potential issues upfront to successfully integrate AI into day-to-day missions. Lastly, Secretary Blinken strongly encouraged all Department employees to start using AI tools and resources, both public and internal to State, as well as to seek out training opportunities offered through FSI to bolster AI skillsets.

The Department's Chief Information Officer has underscored, "We can see what prompts people are using not just to inform how is the technology being used and how is innovation happening in the field but also we can see if somebody is up to no good. Whether they are a person who works at the State Department." The Chief Information Officer emphasized, "To help mitigate the risk in deploying new AI code in existing digital environments the agency launched red teaming efforts to bolster enterprise cybersecurity." The Chief Information Officer concluded "Mandatory training for State employees, routine system testing, and visibility into what prompts individuals are feeding are among State's cybersecurity tactics."

In addition, on May 6, 2024, the Department of State released the *United States' International Cyberspace and Digital Policy Strategy: Towards an Innovative, Secure, and Rights-Respecting Digital Future*. This proactive, affirmative strategy focuses on building broad digital solidarity, recognizing that all who seek to use digital technologies in a right-respecting manner are made more secure, resilient, self-determining, and prosperous when we work together to shape the international environment and innovate at the technological edge. The strategy guides international engagement on technology diplomacy to advance the National Security Strategy vision for a "free, open, secure, and prosperous world" and the National Cybersecurity Strategy objective of forging international partnerships to build a defensible resilient and rights-respecting digital ecosystem. These initiatives, among others, attest to the Department's effort and initiatives to make the Department a leader within the U.S. Government.

The Department dissented to several assertions made in the OIG's report on sensitive security assets during and after the suspension of operations at Embassy Kabul, which failed to recognize the complexity of the logistical operations required to evacuate one of the largest embassies in the world, as well as the unique policy circumstances leading up to evacuation, which required post to consider maintaining sensitive assets in defense of the embassy without DoD presence and then to rapidly withdraw completely. Nonetheless, the Department values the opportunity afforded by OIG in its recent recommendations for improving post sensitive security asset accountability and disposition planning, which has prompted a review, reinforcement, and broadening of guidance for posts when planning potential evacuation with a special focus on austere and exigent scenarios. The Bureau of Diplomatic Security (DS) is updating its guidance for posts on developing disposition plans for departure or evacuation, including formalized instructions for posts to periodically evaluate and adjust holdings of special protective equipment and armored vehicles, and developing scenario-based emergency plans and how-to guides for all acceptable practices that factor in the resources needed to accomplish temporary deactivation or destruction. DS is working with the Bureau of Administration (A Bureau) to review the Department's internal controls to better and more expeditiously account for and reconcile all sensitive security assets following an evacuation.

The A Bureau has established systems and policies to improve personal property accountability. The Department conducts routine, enterprise-wide personal property audits to ensure compliance with Department policies and Federal laws. For example, the A Bureau's annual inventory programs have reported a 1.5 percent loss rate Department-wide for the last six years. The A Bureau continues to work with overseas posts in high-risk areas to mitigate property accountability challenges due to civil unrest or natural disasters. Additionally, the A Bureau provides ongoing support and training to personal property staff to enhance their ability to maintain and adhere to established protocols.

The Department appreciates the OIG's careful review of property management financial statements. Regarding the significant deficiency in internal controls for accounting for real and personal property, leases, and internal use software in a complete, accurate, and timely manner, the Bureau of the Comptroller and Global Financial Services (CGFS) continues to work closely with multiple Department stakeholders to improve financial reporting and operational controls. CGFS has established working groups to collaborate with property program level leaders in the effort to identify control risks, recommend improvements, develop sound policy, and implement changes across the organization. CGFS also has worked closely with program and project managers to ensure an improved understanding of the reporting requirements for internal use software. Additionally, CGFS has implemented a more frequent and robust data call process to help improve the review and timeliness of internal use software data.

The Department has dedicated additional resources to achieve timely implementation of Statement of Federal Financial Accounting Standards (SFFAS) No. 54, Leases. The Department developed a lease calculation tool and updated its lease inventory using manual reviews and AI models. The data and results from this short-term effort will support a longer-term, technology-based solution.

The Department also invested significant resources to develop an unliquidated obligations (ULOs) dashboard that provides insightful metrics and information to efficiently monitor ULO balances domestically and overseas. This dashboard allows management to efficiently monitor balances for funds that are expiring and require cancelling. The dashboard can be used to evaluate ULO risk, identify cancelling ULO documents, evaluate trends in ULO activity over time across bureaus, and drill into ULO status for a specific bureau or post. CGFS conducted extensive outreach in educating Department personnel, engaging every bureau and post on how to use the ULO Dashboard.

Staffing and Organizational Structure

The Department must recruit, retain, and sustain a diverse and talented workforce that is prepared to advance the Department's foreign policy mission and priorities in every corner of the world. Given the vital nature of that mandate, OIG identifies managing human capital and designing and maintaining an organizational structure that conveys clear lines of authority and responsibility as a management challenge facing the Department.

The kinds of workforce or human capital management issues that OIG's work identifies vary widely, but they tend to include staffing gaps, inexperienced and undertrained staff, and failure to adhere to leadership principles. On the latter, our inspections of Embassy Singapore and Embassy Baghdad offered examples. We reported that the Ambassador to Singapore failed to model Department leadership and management principles.[21] In addition to concerns that his relationships with host government ministries were poorly developed, which impacted the achievement of diplomatic goals and objectives, we also reported that his many projects were frequently unattainable, distracting for staff, and dubious in their ability to promote U.S. interests in Singapore. At Embassy Baghdad, we found that a Political Counselor also failed to adhere to the Department's leadership and management principles, including by engaging in behavior that created an atmosphere of tension and fear within the Political Section which detracted

[21] OIG, *Inspection of Embassy Singapore, Singapore* (ISP-I-24-09, February 2024).

from its ability to function well under its heavy workload.[22]

Our work also often highlights structural issues that confuse staff, lead to gaps or overlap in authority, and ultimately weaken accountability. Following the release of a White House strategy that elevated anti-corruption efforts as a key national security and foreign policy priority, the Department announced the creation of the Office of the Coordinator on Global Anti-Corruption.[23] Despite its important role in advancing a key priority, we found that the Department had not properly established the office or codified its roles and responsibilities as required. Without taking the steps to properly establish the office, the Department risks shortcomings in its efforts to achieve anticorruption goals and objectives.

As of the end of 2024, OIG was tracking 73 open recommendations designed to guide the Department toward improvements in these areas.

Progress

In 2024, the Department demonstrated it had taken the necessary actions to close 66 recommendations related to staffing and organizational structure. Several of these recommendations came from a 2022 audit of the process to prepare residences for new tenants at Embassy Cairo.[24] Among other actions, the embassy made progress toward addressing issues impacting collaboration, morale, and interpersonal relationships at post, resulting in the closure of six recommendations.

Management Response

The Department is committed to recruiting, retaining, and sustaining a diverse and talented workforce that is enabled and equipped to advance the Department's foreign policy mission and priorities in every corner of the world. The Secretary's Modernization Agenda focuses on ensuring the Department supports a model workplace that recruits and retains diverse talent, fosters professional development, deepens expertise, and promotes equity across the board.

Internal surveys have shown that unfilled positions drive many of the challenges faced across our institution. The Department has made filling staffing gaps a priority. As mentioned in the *Management Introduction*, the Department employed a variety of creative approaches to addressing these gaps and plans to continue doing so in the coming year. Hiring above attrition is a top priority.

The Department is dedicated to reinforcing a culture of accountability, key to supporting our Leadership and Management Principles. As mentioned in the *Management Introduction*, the Director General (DG) underscored accountability as a core value and set 2024 as a year to specifically "Focus on Accountability" from a human resources perspective. As part of this initiative, the Bureau of Global Talent Management (GTM) has provided resources throughout the year that emphasize the critical role of transparent communication, continuous feedback, and shared responsibility, ensuring that all employees – regardless of level – are empowered to hold themselves and each other to the highest standards. By equipping

22 OIG, *Inspection of Embassy Baghdad and Constituent Post, Iraq* (ISP-I-24-06, January 2024).

23 OIG, *Management Assistance Report: Actions Needed To Meet Requirements for Establishing the Office of the Coordinator on Global Anti-Corruption* (AUD-GEER-24-19, June 2024).

24 OIG, *Audit of the Process To Prepare Residences for New Tenants at U.S. Embassy Cairo, Egypt* (AUD-MERO-22-23, March 2022).

both employees and supervisors with clear expectations, resources, and tools, GTM is fostering a high-performance culture where accountability is not just encouraged but ingrained in the fabric of the workforce.

In addition, the Department has significantly expanded the role and resources of our Office of the Ombuds, whose mission is to identify, mitigate, and prevent workplace conflict that can negatively affect personnel or disrupt our ability to achieve mission goals through confidential, informal, and impartial actions and engagement. The Office of the Ombuds advises the Secretary and senior management on systemic trends affecting the workforce and provides confidential services to personnel to include consultations, conflict coaching, mediation, group facilitation, training, and trend analysis. The Office of the Ombuds launched the Department's first Anti-Bullying Policy, which defined and established a clear process for reporting and addressing bullying behavior, and stood up the Workplace Conflict Prevention and Resolution Center. The Workplace Conflict Prevention and Resolution Center will manage a central bullying reporting portal, provide informal support and resolution services, and enhance individual and organizational accountability through a structured referral program when an administrative inquiry or investigation is appropriate to address allegations of misconduct.

In June 2023, the Department established the Organizational Health and Performance Council, comprising leadership from across the agency to address the unique needs of the workforce. The objectives are to leverage administrative data, use evidence for improvements, foster a culture of continuous improvement, and identify best practices and data gaps. The Organizational Health and Performance dashboard was launched in 2024 and provides a snapshot of organizational health, including bureau-level and regional-level comparisons and trend analysis for both our domestic and overseas workforce.

As mentioned in this report's Management Introduction, the Department also conducted the first Mission Leadership and Management Survey (MLMS) in late 2023 to assess perceptions of management and leadership behaviors of Chiefs of Mission/Ambassadors, Deputy Chiefs of Mission, Chargés d'Affaires ad interim, and Principal Officers in three general areas -- post morale, work environment, and mission leadership. GTM shared the general survey results with the workforce and will release a second iteration of the MLMS for 2024. Nearly one in four eligible U.S. direct hire employees serving at 96 percent of our missions abroad participated in the 2023 survey. A majority of respondents had favorable perceptions of leadership and management regarding senior leaders and provided favorable feedback on questions related to job satisfaction.

All responses that warranted additional attention are being addressed accordingly, to include mandatory reporting to the Office of Civil Rights, Diplomatic Security, and the OIG. Concerns were raised to the highest levels of the Department, which is committed to holding leadership accountable at all levels, addressing workplace challenges, and reinforcing quality leadership. Senior leaders received anonymized results from the MLMS specific to them, as well as information about resources available to enhance and improve their own performance and support diplomatic excellence. The individualized feedback obtained through the MLMS is a valuable tool for senior leaders that can reinforce best practices in leadership and management, provide feedback to promote self-awareness, and support career-long learning and professional development. It also gives the Department vital feedback that will continue to help identify and address any concerning leadership and management issues.

The Department continues to implement the Learning Policy introduced in 2023. Culminating a two-year reorganization process in 2024, the Department's Foreign Service Institute (FSI) hired a Provost and realigned staff to create new teams to further improve FSI's delivery of training and other professional development. The Provost's team will ensure curricula for all Department employees are relevant and comprehensive, break down silos across various FSI schools to share best practices, and coordinate a consistent adult learning approach in all FSI offerings.

In addition to improving individual employee satisfaction and leadership, the Department undertook efforts to better orient its structure and management support towards accountability, efficiency, and customer satisfaction. Several bureaus have reorganized their offices and leadership structures to better reflect today's needs. Chief among these was the Bureau of Administration, which shifted disparate offices into groupings that reflected actual customer experience in key friction points for employees, such as travel and logistics. Policy bureaus, such as the Bureau for Arms Control, Deterrence, and Stability, also reorganized to provide additional leadership support to growing policy issues.

The Department's goal is to create organizational structures that enable us to meet our mandates and strengthen our position in the Federal Government. Since the Department shares with OIG the objective of creating sustainable, accountable, and well-structured organizations, the OIG often tasks bureaus to work with GTM to conduct organizational assessments to validate the findings when an OIG inspection has identified factors that prevent an organization from effectively achieving its mandate. Through this partnership, GTM – often with support from M/SS – contributes to the Department's and OIG's mission by providing organizational analysis that is rooted in partnership, mission-centric, and intentional about helping the Department overcome critical management challenges.

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Israel-Hamas Conflict Task Force

Task Force room. *Department of State*

The Department established a Monitoring Group on October 7, 2023, followed by the Israel-Hamas Conflict Task Force to coordinate U.S. actions after the October 7 terrorist attacks by Hamas against Israel. Staffed by a range of Department employees, the Israel-Hamas Conflict Task Force brought together experts from various bureaus and offices across the Department to support U.S. Embassy Jerusalem and other posts in the Middle East in managing complex and quickly evolving security and political issues. Jointly led by the Executive Secretariat and the Bureau of Near Eastern Affairs (NEA), the primary objectives of the Israel-Hamas Conflict Task Force were to coordinate support for the safety of U.S. diplomatic personnel and facilities overseas, report on diplomatic and public responses, and support the Bureau of Consular Affairs' lead on assistance to U.S. citizens.

As the conflict continued, the Israel-Hamas Conflict Task Force monitored regional developments and supported efforts to ensure the safety of U.S. citizens, as well as our U.S. Government personnel in the region. The Israel-Hamas Conflict Task Force coordinated additional travel options for U.S. citizens in Israel, working closely with Embassy Jerusalem. The Task Force also supported Embassy Beirut and Embassy Baghdad in facilitating the departure of non-emergency personnel and coordinated regional diplomatic and public messaging. Meanwhile, efforts were underway in close collaboration with counterparts in the United States and Embassy Cairo to help our locally employed staff safely depart Gaza.

The Israel-Hamas Conflict Task Force and our colleagues at overseas missions worked to resolve complex issues while remaining focused on the mission. On December 5, 2023, the Executive Secretary transitioned remaining duties of the Israel-Hamas Conflict Task Force to NEA.

Payment Integrity Information Act Reporting

For more than a decade, laws and regulations governing the identification and recovery of improper payments have evolved to strengthen improvements in payment accuracy and raise public confidence in Federal programs. These laws collectively required agencies to periodically review all programs and activities to identify those susceptible to significant improper payments, to conduct payment recapture audits, and to leverage the Government-wide Do Not Pay initiative. OMB regulations also required extensive reporting requirements. OMB transformed the improper payment compliance framework to create a more unified, comprehensive, and less burdensome set of requirements. The Payment Integrity Information Act of 2019 (PIIA), which was passed on March 2, 2020, repealed and replaced prior improper payment-related laws. The PIIA modified and restructured existing improper payments laws to help agencies better identify and reduce any money wasted as a result of improper government payments. Not all improper payments are fraud, and not all improper payments represent a loss to the government. Generally, an improper payment is any payment that should not have been made or that was made in an incorrect amount under a statutory, contractual, and administrative or other legally applicable requirement.

The Department defines its programs and activities in alignment with the manner of funding received through appropriations, as further subdivided into funding for operations carried out around the world. Risk assessments over all programs are done every three years. In the interim years, risk assessments evaluating programs that experience any significant legislative changes and/or significant increase in funding will be done to determine if the Department continues to be at low risk for making significant improper payments at or above the threshold levels set by OMB. The Department conducted a risk assessment of all programs and activities in 2022, and 2024 was the third year of the three-year cycle. In 2024, the following programs included: Foreign Service National Locally Employed Staff Compensation; Economic Support Fund; Worldwide Security Protection; International Security Programs; International Cooperative Administrative Support Services; Consular and Border Security Programs; Consular Information and Information Technology Security; and Peacekeeping Programs. After performing risk assessments for these programs, the Department determined that none of its programs in 2024 were risk-susceptible for making significant improper payments at or above the threshold levels set by OMB.

Annually, the Department submits data to OMB that is collected and presented on the *Payment Accuracy* website by individual agency or on a Government-wide consolidated basis. This website contains current and historical information about improper payments made under Federal programs, as well as extensive information about how improper payments are defined and tracked. Please refer to the *Payment Accuracy* website for detailed results from the Department's efforts in 2024 to comply with PIIA.

Grants Programs

The Department's monitoring of the timely closeout of grants continues to be a pivotal point of the grant management process. The Department continues to ensure that domestic bureaus and overseas posts remain financially accountable to remain compliant on these deadlines, as stated in 2 CFR 200. In 2024, our domestic-based awards transitioned from the State Assistance Management System to MyGrants, a centralized, web-based platform, to streamline award management, financial reporting, and closeout procedures.

The Department continues to maintain compliance and reinforce financial accountability in support of our overseas programs. Collaboration has been a critical element in mitigating the unique scenarios and resolving closeout and reconciliation issues. The manual steps required to reconcile differences between systems continue to be labor-intensive, however, the Department has taken numerous steps to mitigate and resolve these issues. The Department continues its monthly meetings with the U.S. Department of Health and Human Services to discuss closeout and reconciliation issues in the Payment Management System (PMS). This collaborative effort has resulted in more prompt resolution of these awards in PMS. Additionally, the Department continues to work with bureaus and posts on entity registration issues in the Global Financial Management System (GFMS) and PMS which causes a significant delay in their ability to closeout many older awards.

Table 13 shows 1,624 awards totaling $27,374,184 for which closeout has not yet occurred, but for which the period of performance has elapsed by two years or more prior to September 30, 2024.

Table 13. Expired Federal Grants and Cooperative Agreements Summary

Category	2-3 Years	4-5 Years	More than 5 Years
Number of Grants/Cooperative Agreements with Zero Dollar Balances	516	126	439
Number of Grants/Cooperative Agreements with Undisbursed Balances	453	47	43
Total Amount of Undisbursed Balances	$ 22,257,430	$ 828,285	$ 4,288,469

IN FOCUS

A Warm Welcome Home for Bangladesh Evacuees

In the wake of the summer 2024 political upheaval in Bangladesh, a dedicated team showcased the true spirit of American diplomacy during a critical evacuation operation. As the chartered flight touched down, carrying diplomats, their families, and pets from the tumultuous situation in Dhaka, an impressive cross-section of government agencies and volunteers sprang into action at Atlantic Aviation's facility at Dulles Airport.

The scene was a testament to interagency cooperation and compassion. Customs and Border Protection and Transportation Security Administration officers worked tirelessly to expedite immigration processes, ensuring evacuees could swiftly make their onward connections. Meanwhile, the Centers for Disease Control and Prevention collaborated with Pender Pet Retreat to tend to the four-legged family members accompanying their diplomatic owners.

Foreign Service volunteers from various bureaus, including those normally stationed in Dhaka but caught stateside due to the ordered departure, volunteered alongside their Foreign Service and Civil Service colleagues. They distributed everything from homemade cookies to coloring books, providing comfort and a touch of home to weary travelers.

The Global Community Liaison Office team went above and beyond, crafting welcoming signage and distributing medals to children, turning a potentially traumatic experience into one of warmth and recognition. USAID volunteers, true to their reputation for hands-on assistance,

Volunteers attend the meet and greet at Dulles Airport.
Department of State

offered both practical and emotional support to their counterparts.

Perhaps most touching was the team of United Service Organizations volunteers, who coordinated refreshments and greeted the evacuees with applause, honoring their service and sacrifice. Their efforts, alongside those of the Associates of the American Foreign Service Worldwide, who provided pet supplies and children's activities, exemplified the extended family that supports America's diplomats in times of crisis.

This operation not only demonstrated the Department's ability to rapidly respond to international emergencies but also highlighted the human element of diplomacy – the compassion and solidarity that define America's Foreign Service community.

Climate-Related Financial Risk

Governance

The Department organizes its climate activities under two main leadership streams – policy and management operations. Climate-related diplomatic engagement, foreign policy-making, and foreign assistance activities are organized under the Special Presidential Envoy for Climate and the Bureau of Oceans and International Environmental and Scientific Affairs, Office of Global Change. These activities support action to reduce greenhouse gas emissions and build resilience to the impacts of climate change, outcomes that are required to protect the United States' interests and the Department's operations. As one example, together with USAID, the Department is responsible for coordinating whole-of-government actions for the President's Emergency Plan for Adaptation and Resilience.

The Department's Chief Sustainability Officer oversees climate-related risks and opportunities related to the Department's management operations. The Deputy Chief Sustainability Officer leads the coordination of Department sustainability and climate adaptation and resilience activities via various working groups, including ones on resilience and energy, and through coordinating agency reports. The Deputy Chief Sustainability Officer's team is situated in the Office of Management Strategy and Solutions (M/SS). The Bureau of Overseas Buildings Operations (OBO) Climate Security and Resilience (CS&R) program provides climate risk oversight of our overseas facilities. The Bureau of Administration (A Bureau) is responsible for supply chains and procurement, and the maintenance of domestic facilities, and ensures domestic emergency preparedness. The Department uses the Climate Resilience Working Group as the platform for bureaus to share identification, assessment, and mitigation efforts for climate risks. Members of the working group include key management and regional bureaus. Climate adaptation opportunities are assessed and implemented by a wide variety of bureaus and offices. The Department is also a member of the network of Sustainable Foreign Ministries to learn from and work with other diplomatic institutions on climate and sustainability.

Strategy

The Department's *2024-2027 Climate Adaptation and Resilience Plan* (CARP) provides both a qualitative assessment of climate impacts to the Department's mission, operations, and services as well as a quantitative, data-driven assessment of climate and natural hazard exposure to our facilities and personnel. Climate risks include immediate and long-term impacts of severe weather, extreme heat, worsening air quality, sea level rise and coastal flooding, drought, and other hazards on Department supply chains, facilities, and personnel. Diplomatic posts overseas and domestic facilities are already seeing the impacts of climate change, with resultant disruption to operations and mitigation costs. Adaptations to date have included everything from installing flood mitigation measures, to drilling wells to adapt to water stress exposure, to shifting services to virtual and remote options such as Online Passport Renewal, to ensuring personnel have real-time air quality data to help them better protect their health. The CARP outlines dozens of actions the Department is taking or will take through 2027 to implement adaptation strategies to improve resilience and mitigate risk. These actions will be documented in the

Department's internal Performance Planning System and progress will be reported through annual White House updates. Some actions include updating and developing new climate training to build climate literacy, integrating natural hazard data into the Department's crisis management data system and processes, and integrating climate data into risk analysis tools and processes.

The Department is working to adjust its financial processes to incorporate climate risks and opportunities into its resource prioritization decisions. Currently, climate risks are not considered in a systematic way in organizational strategies such as global presence and resourcing. However, key strategic documentation and guidance has been or is being updated to include climate-related equities, including:

- Starting with the 2023 Congressional Budget Justification process, the Department advised bureaus to highlight sustainability and climate in their budget requests.
- Climate is the focus of Objective 1.2 of the 2022-2026 State-USAID Joint Strategic Plan (JSP), to which bureaus and missions align their annual resource requests and link their own strategic objectives.
- Climate risk assessment and mitigation also supports Objective 4.3 of the JSP, "Protect our personnel, information, and physical infrastructure from 21st Century threats."
- As of 2024, the CARP is a Department strategic plan, informing the formulation of budget and resource requests.

Thanks to this effort, many bureaus – including OBO, the Bureau for Western Hemisphere Affairs, and the Bureau of Population, Refugees, and Migration – address climate in their bureau strategic goals and/or objectives.

Risk Management

The Department maintains over 25,000 building assets at 287 locations overseas with a 2024 replacement value estimated at $75.2 billion. To facilitate managing the natural hazard risks to these facilities, in 2022 OBO created a desktop portfolio screening methodology that assesses relative risk for seven natural hazards: flooding, extreme heat, extreme wind, water stress, earthquake, tsunami, and landslide; then added volcano and wildfire in 2024. OBO uses this screening methodology and other metrics to guide overseas infrastructure adaptation priorities by informing the capital project planning process and determining where more in-depth natural hazard-focused analysis is needed. The CS&R program's natural hazard information also contributes in a meaningful way to new real estate decisions (e.g., site selection and acquisition). OBO is also developing an approach for conducting on-site analyses to characterize impacts to post-specific assets, infrastructure, people, and overall operation and mission continuity with the goal of identifying adaptation strategies that enhance resilience. In 2024, OBO completed two pilot analyses for embassies San Salvador and Tunis.

For domestic facilities, the A Bureau's Real Property Asset Management program is conducting Strategic Asset Management Plans, which include a comprehensive review of the facility's required updates. During the Strategic Asset Management Plan process, each facility is evaluated for a multitude of risks including climate, life/safety, and efficiency using a risk-level identifier. These identifiers allow for prioritization of critical risks and the preparation of project assessments to support budgetary requests. Three plans were completed in 2023 for facilities in Charleston, South Carolina, and Blackstone and Rosslyn, Virginia. Another plan was funded for a facility in Portsmouth, New Hampshire. Additionally, the A Bureau's Office of the Procurement Executive released new policy and guidance in support of Executive Order 14057 and efforts to procure more sustainably.

The transition to a lower-carbon economy offers numerous benefits for Department operations that transcend climate benefits. One instance is the replacement of diesel generators that are used as a back-up energy source in residences and facilities overseas. These generators are noisy, costly to run, contribute to greenhouse gases and air pollution, and require an expensive fuel supply. Deploying battery and solar arrays will reduce reputational risk and enable the Department's continuity of operations during blackouts, improve air quality, reduce or contain fuel costs, and showcase climate solutions.

This clean transition does require capital investment at the outset. The Department is evaluating the use of Energy Savings Performance Contracts and Power Purchase Agreements to streamline the initiatives and identify opportunities for cost savings in deployment of climate solutions as required by the Energy Policy Act of 2020. At the same time, the Department's expansive global presence means there will never be one solution for all locations. For example, some locales will not have local suppliers or technicians for climate mitigation technologies, resulting in increased installation and maintenance costs and risks. Additionally, transitioning power sources in some markets may precipitate lower and/or more consistent and predictable energy costs, while in others it may increase the cost of energy. In 2024, the Department convened an Energy Working Group to develop and implement a strategy for reducing energy costs and lowering emissions throughout the Department.

Metrics

Climate change is one of the top priorities in the 2022-2026 JSP, the "Climate Change" Agency Priority Goal (APG) was created for 2022-2023, and a subsequent APG for 2024-2025 was added to increase attention, resources, and reporting dedicated to climate change mitigation, adaptation, and reporting. The Department publishes quarterly APG results on the *Performance.gov* website.

The Department's 2024-2027 CARP also includes key performance indicators and process metrics. The key performance indicators include integrating climate adaptation and resilience objectives into agency program planning and budgeting, updating and incorporating relevant climate change information into data management systems and analytical tools, and evaluating Federal assets and supply chains to climate hazards and other stressors.

OBO's global natural hazards exposure layers are a major source of information that informs performance metrics related to natural hazard risks from which the portfolio-wide risk screening assessment is completed. Other more detailed, site and/or building-specific exposure information is considered when appropriate. Additional metrics include: number of reference resources developed for creating risk awareness and strategies for managing it; number of overseas diplomatic posts with building earthquake vulnerability screening of their portfolios substantially completed; number of stakeholder requests made to and fulfilled by the CS&R program related to planning and real estate actions; and number of natural hazard annexes added to Emergency Action Plans for highly exposed posts. Another important metric the Department tracks is how many Crisis Management Exercises on climate-related issues are performed each year.

In 2024, the Department published an internal assessment of its global greenhouse gas emissions for scopes 1 and 2 (direct emissions from sources the Department owns or controls directly, such as diesel generators or vehicle fuel emissions and emissions from purchased electricity, heat, steam, or cooling), as well as several elements of scope 3 (life cycle emissions, such as shipping or air travel). This data is being used to justify and prioritize reductions to energy spending, limit exposure to price fluctuations from carbon-intensive energy sources, and transition to lower carbon energy sources.

Additional metrics relevant to the agency Sustainability Plan and connected plans under development, such as the Carbon Free Electricity Strategic Plan, include:

- Number of metric tons of greenhouse gases emitted by the Department's global operations;
- Number of metric tons of greenhouse gases avoided through reductions in Scope 1, 2, and 3 greenhouse gases;
- Percentage of annual energy needs met with carbon-pollution free electricity;
- Percentage of zero-emissions vehicles procured annually;
- Number of diplomatic posts and facilities compliant with energy cost and consumption data submission requirements;
- Number of facilities with smart meters and air quality monitors; and
- Number of on-site solar and battery projects completed.

For the most part, the Department has prioritized focusing on non-residential properties.

Additional activities are detailed in the agency Sustainability Plan, which is internal, per White House instructions.

In June 2024, the Department published its *2024-2027 Climate Adaptation and Resilience Plan*. This plan, building on the Department's 2021 plan, detailed the quantitative analysis of Department facilities and personnel exposure to several natural hazards including sea level rise, flooding, wildfire, and extreme heat, per the Disaster Resiliency Planning Act and related guidance from the Council on Environmental Quality and OMB. Quantitative analysis considered current exposure and, where available, two future projection epochs (mid-century and late-century) considering two climate change scenarios. Additionally, the plan assessed climate impacts to the Department's overall mission, operations, and services. The plan's implementation section outlined the Department's work to mitigate the risk from natural hazards to its personnel, facilities, foreign assistance, supply chains, and procurement. These results will be realized by further integrating climate and natural hazard considerations into the Department's decision-making processes, policies, guidance, and budget, and advancing a climate literate workforce. For the first time ever, a Departmental strategic plan comprehensively supports ongoing and new efforts to enhance climate and natural hazard resilience. The 2021 CARP and 2022 update can be found on the *Sustainability.gov* website.

In 2023, the Department spent or allocated a total of $38.0 million to support the reduction of exposure to climate-related financial risks, as detailed in *Table 14*.

Table 14. Summary of Climate Risk-Related Financial Spending

Bureau	Project/Initiative	Allocated Funding
A Bureau	$536,000	Complete Strategic Asset Management Plans
OBO	$7,600,000	Climate Security and Resilience program for continued global natural hazard exposure information development and portfolio-wide risk screening, detailed natural hazard flood and tsunami inundation mapping, building-specific seismic vulnerability screening, multi-hazard resilience evaluation criteria formulation, multi-hazard resilience assessment and adaptation strategy development for two posts (Chennai, India; La Paz, Bolivia), and hazard-specific technical guides.
OBO	$19,800,000	Investments in on-site renewable energy and energy efficiency projects, utility bill tracking software, and the Resilience Innovation Fund.
M/SS	$3,400,000	Enhance the Department's Internet of Things network that supports air quality monitoring and metering for energy consumption and power quality.
M/SS	$240,000	Develop capabilities to buy power more strategically to mitigate climate risks and costs.
M/SS	$30,000	Hire an American Association for the Advancement of Science Fellow to develop a greenhouse gas inventory and energy data analysis.
Regional Bureaus (Bureau of African Affairs, Bureau of East Asian and Pacific Affairs, Bureau of European and Eurasian Affairs, Bureau of Near Eastern Affairs, Bureau of South and Central Asian Affairs, and the Bureau of Western Hemisphere Affairs)	$1,500,000	Support the Department's air quality monitoring program, which provides real-time air pollution data to personnel, families, and the public to mitigate health risks.
FSI	$4,900,000	Support the development and delivery of climate and sustainability-related training, including a comprehensive assessment of training needs in policy and management operations to identify and close training gaps across the department.

Additionally, the Department builds new embassy and consulate compounds to minimum U.S. Green Building Council Leadership in Energy and Environmental Design Silver standards, which incorporate a wide variety of site-dependent energy and water efficiency strategies. However, beyond the outlays above, including obligations for new embassy and consulate compounds would grossly overestimate the specific funding invested in climate resilience and sustainable operations as there are no project cost tracking mechanisms dedicated to climate. Also, some funding for the A Bureau's Office of Emergency Management is allocated for weather preparedness and the Department will work to establish a tracking mechanism to identify specific weather preparedness-related spending to include in 2024 analysis.

FOCUS

Manila Regional Support Service

Members of the Manila Regional Support Service pose at a team building workshop, April 2024.
Department of State

The Manila Regional Support Service (MRSS) is a vital initiative established by the Bureau of East Asian and Pacific Affairs (EAP) in the summer of 2023. Its primary purpose is to enhance the management and operational services to U.S. embassies in the Pacific Islands. MRSS offers a range of services including Human Resources, Financial Management, Diplomatic Technology, and General Services. This initiative plays a crucial role in advancing the U.S. Indo-Pacific Strategy by ensuring that EAP provides the necessary resources to match the expanding role of the Pacific Islands in U.S. diplomatic efforts.

The MRSS team comprises a diverse and dynamic workforce, including nine full-time equivalents, one expanded professional associate, and 20 locally employed (LE) staff. Establishing this new regional support center was a significant undertaking, involving the creation of new position descriptions, coordination with the Bureau of Overseas Buildings Operations for space renovation, interior design for office layout, budget estimation and adjustment, procurement of computers and cell phones, and the recruitment and interviewing of staff.

MRSS personnel are dedicated to understanding the challenges at each post, with full-time staff visiting serviced posts 14 weeks per year and LE staff visiting seven weeks per year to ensure continuity of services. In the three newest embassies, MRSS has successfully established leases for residences, purchased new motor pool fleets, recruited LE staff, configured IT requirements, established budgets, arranged travel, accounted for property, and ensured the timely arrival of shipments.

Additionally, MRSS manages the EAP Office Management Specialist (OMS) Exchange, a program that coordinates OMS temporary duty opportunities for professional development while also covering critical OMS staffing gaps in EAP. Furthermore, MRSS handles the offshore hiring process for EAP posts whenever there is a nepotism concern.

Since its inception, MRSS has continued to expand its services to eight embassies throughout the Pacific, with plans to add more in the future. This pioneering concept within the Department provides a scalable and efficient model for regional services, attracting interest from other U.S. Government officials who frequently visit to learn more about its operations.

Federal Civil Penalties Inflation Adjustment Act

The Federal Civil Penalties Inflation Adjustment Act of 1990, as amended by the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, established annual reporting requirements for civil monetary penalties assessed and collected by Federal agencies. The Department assesses civil fines and penalties on individuals, and makes annual inflationary adjustments to these amounts, for such infractions as violating the terms of munitions licenses, exporting unauthorized defense articles and services, and valuation of manufacturing license agreements. In 2024, the Department assessed $251 million in penalties against two companies, and collected $47.7 million of outstanding penalties from six companies. The balance outstanding as of September 30, 2024, was $87.3 million. Table 15 lists the current penalty level for infractions governed by the Department.

Table 15. Federal Civil Penalties Inflation Adjustments

Statutory Authority	Penalty	Year Enacted	Latest Year of Adjustment	Current Penalty Level ($ Amount or Range)	Location for Penalty Update Details
Arms Export Control Act of 1976, 22 U.S.C. 2778(e)	International Traffic in Arms Regulations Violations – Export of Defense Articles and Defense Service	1985	2024	$1,238,892	89 FR 700-702 (January 5, 2024)
Arms Export Control Act of 1976, 22 U.S.C. 2779a	International Traffic in Arms Regulations Violations – Prohibition on Incentive Payments	1994	2024	$1,028,988	89 FR 700-702 (January 5, 2024)
Arms Export Control Act of 1976, 22 U.S.C. 2780	International Traffic in Arms Regulations Violations – Transactions with Countries Supporting Acts of International Terrorism	1989	2024	$1,224,787	89 FR 700-702 (January 5, 2024)
Chemical Weapons Convention Act of 1998, 22 U.S.C. 6761(a)(1)(A)	Prohibited Acts Relating to Inspections	1998	2024	$46,901	89 FR 700-702 (January 5, 2024)
Chemical Weapons Convention Act of 1998, 22 U.S.C. 6761(a)(1)(B)	Recordkeeping Violations	1998	2024	$9,380	89 FR 700-702 (January 5, 2024)
False Claims Act of 1986, 31 U.S.C. 3729-3733	Penalty Imposed on Persons and Companies Who Defraud Governmental Programs	1986	2024	$13,946 – $418,405	89 FR 700-702 (January 5, 2024)
Limitation on use of appropriated funds, 31 U.S.C. 1352	Penalties for Both Improper Expenditures and Failure to Disclose. First Time Offenders	1989	2024	$24,100	89 FR 700-702 (January 5, 2024)
Limitation on use of appropriated funds, 31 U.S.C. 1352	Penalties for Both Improper Expenditures and Failure to Disclose. Other Offenders	1989	2024	$24,496 – $244,958	89 FR 700-702 (January 5, 2024)

Biennial Review of User Fees

The Chief Financial Officers (CFO) Act of 1990 requires Federal CFOs to biennially review the fees, rents, and other charges they impose for agency program services or things of value. The objective of this review is to make periodic recommendations on revising those charges, as needed, to recover the direct and indirect costs of providing those services. The Department is authorized to collect and retain certain user fees – including consular service fees for passport applications, expedited passport processing, machine-readable visas, and others. If the Department is not authorized to retain the fees, they are remitted to the U.S. Treasury. This category includes fees for Certificate of Loss of Nationality (CLN) services.

Consular service fees represent the largest source of the Department's collections and receipts, amounting to earned revenues of $5.9 and $5.8 billion in 2024 and 2023, respectively. Such fees must be established by law and the Department computes the cost of its services using a standard activity-based costing methodology. The Department reviews its Cost-of-Service Model annually to calculate the cost for providing all consular services. In determining the appropriate level at which to set its fees, the Department balances the need for the U.S. Government to recover full cost with the need to charge a fee for these services at a level that does not deter individuals from seeking them. The Department aims to update the Schedule of Fees biennially, unless a significant cost change warrants an immediate amendment to the Schedule of Fees for Consular Services.

This fiscal year, consistent with the CFO Act and 31 U.S.C. 9701, the Department proposed to adjust the Schedule of Fees for Consular Services by reducing the fee for the administrative processing of a request for a CLN of the United States from $2,350 to $450. Based on its economic analysis, the accepting, processing, and adjudicating of a U.S. citizen's request for a CLN has always been costly, requiring the services of consular officers and employees overseas, as well as Bureau of Consular Affairs employees domestically. The Department previously used its discretion to set the fee below cost to lessen its impact on those who need this service. The adjusted CLN fee, though representing only a portion of the estimated full cost, better aligns with the fees established for other services provided to U.S. citizens abroad. The proposed user fee change was published as a proposed rule in October 2023[1], followed by a 30-day open comment period. After the period's conclusion, the Department began analyzing the public comments. As of September 30, 2024, the proposed fee change had not been finalized.

[1] 88 Fed. Reg. 67687 (October 2, 2023).

Resource Management Systems Summary

The financial activities of the Department occur in more than 270 locations in 180 countries. We conduct business transactions in over 135 currencies and even more languages and cultures. Hundreds of financial and management professionals around the globe allocate, disburse, obligate, and account for billions of dollars in annual appropriations, revenues, and assets. The Department is at the forefront of Federal Government efforts to achieve cost savings by engaging in shared services. Our customers include 45 U.S. Government agencies in every corner of the world, served 24 hours a day, seven days a week. Another illustration of the Department's commitment to shared services is its hosting at its Charleston, South Carolina financial center of USAID's core financial system. This system, known as Phoenix, makes use of the same commercial off-the-shelf (COTS) software as the Department's core system, thereby promoting smooth interaction between the two agencies.

The Department's financial management efforts are guided by three overarching goals: delivering world-class financial services and systems to our customers effectively and efficiently; establishing and administering an accountable, transparent, prudent, and rigorous internal control, compliance, and financial reporting environment that reflects statutory, administration, and Departmental guidance; and facilitating interagency coordination and liaison activities that support Department operations and deliver effective, consolidated administrative and financial shared services.

Continued standardization and consolidation of financial activities and leveraging investments in financial systems to improve our financial business processes will lead to greater efficiencies and effectiveness. This change is not always easy with the decentralized post-level financial services model that exists for the Department's worldwide operations. In addition, over the next several years, we will continue to leverage upgrades in our core financial system software, locally employed (LE) staff and American payroll time and attendance deployments, and integration with other Department corporate systems to improve our processes in ways that better support financial operations. Besides seeking greater linkages within our systems, we also are seeking additional opportunities to improve our shared service efficiencies in ways that help us serve our customer agencies and lower overall costs to the U.S. Government.

We have made significant progress in modernizing and consolidating Department resource management systems. In response to cybersecurity concerns, our development efforts in all lines of business increasingly emphasize the need to reduce vulnerabilities within systems and be mindful of potential threats to unauthorized access and to the integrity of data within our systems. This focus seeks to protect both the Department and its employees. The Department's Bureau of the Comptroller and Global Financial Services' (CGFS) financial systems development activities continue to be operated under Capability Maturity Model Integration (CMMI) industry standards. The Department maintains a CMMI level 2 rating for CGFS financial systems. CMMI allows the Department to emphasize the prioritization, organization, and planning of resources while focusing attention on the most critical financial systems issues facing the Department.

We continue to make use of proven COTS software in delivering resource management systems to the Department and our serviced customers.

We have pushed to consolidate these systems to the CGFS platform with the goals of meeting user requirements, sharing a common platform and architecture, reflecting rationalized standard business processes, and ensuring secure and compliant systems. A COTS solution is the platform for our Global Foreign Affairs Compensation System and our two core accounting systems, the Global Financial Management System (GFMS) and the Regional Financial Management System/Momentum (RFMS/M). By managing the process in this manner, we can deliver products that are compliant, controlled, and secure. OMB continues its initiative to standardize Government-wide business processes to address the Federal Government's long-term need to improve financial management. Also, over the next several years, several new Federal accounting standards and U.S. Department of the Treasury (Treasury) information technology system enhancements will become effective. These include Government-wide projects to standardize business requirements and processes, establish and implement a Government-wide accounting classification, implement a new accounting standard for Government-wide lease accounting and reporting, and continue to support improvements in delivering financial statements and budgetary reporting.

The Department uses financial management systems that are critical to effective agency-wide financial management, financial reporting, and financial control. These systems are included in various programs. An overview of these programs follows.

Financial Systems Program

The financial systems program includes the GFMS, the Regional Financial Management System (RFMS), RFMS Overseas Acquisition Integration, and the Consolidated Overseas Accountability Support Toolbox (COAST) and RFMS Cashiering.

The Global Financial Management System. GFMS centrally accounts for billions of dollars recorded through over 10 million transactions annually. GFMS has over 2,700 users and over 25 real-time and batch-based touchpoints with external systems such as Treasury's Central Accounting Reporting System and Invoice Processing Platform and internal subledgers and transactional import systems. GFMS is critical to the Department's day-to-day operations. It supports the execution of the Department's mission by effectively accounting for business activities and recording the associated financial information, including obligations and costs, receivables, interagency agreements, and other data. GFMS supports the Department's domestic offices and serves as the agency's repository of corporate data. The Department continues efforts to improve methods to track Interagency Agreements. The focus in 2024 was to support the bureaus using the Government-Invoicing (G-Invoicing) platform. G-Invoicing provides a method for Federal agencies to create, review, and approve Interagency Agreement transactions. In 2024, Department bureaus approved over 500 orders and processed payments/receipts totaling over $2.5 billion. The Department continued to provide training, user support, and configuration to enhance G-Invoicing usage. The Department also performed analysis to prepare for the 2026 mandate, whereby agencies should use G-Invoicing to make buy/sell transactions if using Intragovernmental Payment and Collection. An alternate option will be available in 2026 to use Intragovernmental Payment and Collection for buy/sell.

The Regional Financial Management System. RFMS is the global accounting and payment system used at posts around the world. It consists of three integrated systems: RFMS/M, the core COTS Momentum system; RFMS/D, the Department's custom disbursing system for payments in foreign currencies; and RFMS/C, a fully integrated custom cashiering system for use at missions worldwide. RFMS supports approximately 10,000 users and processes 5 million transactions annually. RFMS/M integrates seamlessly with several systems, including GFMS, Ariba (the departmental purchasing system), eInvoicing (an overseas vouchering and approval system), E2 (the departmental travel system), and RFMS/C. This integration helps reduce duplicate data entry and improves data quality. As the financial management system for all posts worldwide, RFMS is generally available to users 24 hours a day, seven days a week, except for a 2-hour maintenance window on Friday nights.

RFMS Overseas Acquisition Integration. This initiative established the groundwork to align Momentum for domestic and overseas contracting writing. Its usage is enabling the start of regionalization opportunities for procurement activities overseas. This is a major step in mitigating this risk and to achieving a single, unified procurement approach that standardizes procurement procedures and policy globally while increasing data accuracy, auditability, and transparency for data reporting compliance (present and future needs).

The Consolidated Overseas Accountability Support Toolbox and RFMS Cashiering. COAST was formerly an application suite deployed to more than 180 posts around the world, supporting financial and payroll reporting as well as cashiering functions at post. In 2024, the Department completed the RFMS/Cashiering (RFMS/C) overseas implementation project to replace COAST Cashiering at posts with a centralized, web-based cashiering application installed in a single location. With RFMS/C, transactions now integrate with RFMS/M in real time. Except for other agency headquarters offices, the Department completed the migration of all post users from COAST to Global BI for financial and payroll reporting in 2024.

Planning and Budget Systems

In 2024, the Budget System Modernization (BSM) program continued enhancing the Department’s budget formulation and financial planning process through the Integrated Budget Intelligence System (IBIS). As part of our long-term strategy to deliver a unified and modernized budgetary solution, IBIS remains the principal tool for the Department’s bureaus to execute financial plans and allocate funding globally. This year, the BSM team made significant strides in the Web Resource Allocation and Budget Integration conversion, successfully completing the first two of five planned releases. Additionally, the team implemented four quarterly operations and maintenance releases and over 50 technical updates, leading to notable performance improvements, with zero system slowdowns or user-reported performance issues. Our first Innovation Day in April spurred several research initiatives focused on Artificial Intelligence, enhanced training, and User Experience improvements. Furthermore, we strengthened stakeholder engagement through the CGFS Voice of the Customer program, Budget Workshops, and the inaugural IBIS Pulse Check Survey, which provided valuable insights to guide future enhancements.

The International Cooperative Administrative Support Services (ICASS) system is the principal means by which the U.S. Government shares the cost of common administrative support at its more than 270 diplomatic and consular posts overseas. The Department has statutory authority to serve as the primary overseas shared service provider to other agencies and is the primary service provider as it offers these administrative support services to other agencies on a reimbursable basis using a Working Capital Fund under authorities contained in 22 U.S.C. 2684 and 2695. In the spirit of the Government Performance and Results Act, the ICASS system seeks to provide quality services at the lowest cost, while ensuring that each agency bears the cost of its presence overseas. The ICASS program makes available a full range of administrative services at overseas posts. These include motor pool operations and vehicle maintenance, travel services, reproduction services, mail and messenger services, information management, reception and telephone system services, purchasing and contracting, human resources services, cashiering, vouchering, accounting, budget preparation, residential and non-residential security guard services, and building operations. These services are provided in a stand-alone format at the posts and consulate locations as well as in a Regional Management format. This new format provides additional cost-savings by allowing centralized management of costs and services. This management is invoiced at the Department's Bureau headquarters level which provides improved oversight and cost controls. In 2024, enhancements were made to the ICASS software that transferred responsibility for non-residential utility costs from the Regional Bureau to the Bureau of Overseas Buildings Operations to align with updated policy. A web service was created for transferring ICASS agency data to the Form DS-1605, Reimbursement Agreement, application, eliminating the previously manual process. This enhancement improved efficiency and accuracy. The ICASS application was updated to identify whether G-invoice agencies are a Servicing or Requesting Agency Order Originator. This allowed the automated invoice emails that the Form DS-1605 application sends to agencies to be tailored to each type of agency. Additionally, ICASS reports were created which detail the cost distribution performed in both the Regional Support Budgets as well as the Cost Distribution calculations. This helps the ICASS Service Center to be transparent with how costs are assigned to each agency.

Travel Systems Program

The Department has used Carlson Wagonlit's E2 Solutions for worldwide temporary duty travel since 2007. In addition, the Department uses the Local Travel module overseas allowing for the submission of local travel claims for expenses incurred in and around the vicinity of a duty station as well as to process non-travel employee reimbursements previously submitted through an Optional Form-1164. In the Local Travel module, approvers electronically approve claims and provide reimbursement to the employee's bank account via electronic funds transfer. In 2024, the focus started to shift away from E2 Solutions enhancements and began focusing on the upcoming E-Gov Travel Service solution, referred to as ETSNext. This application, selected by GSA through their ETSNext contract will replace E2 Solutions at the Department. Selection of the ETSNext travel and expense application will occur in late 2024. Following this selection, CGFS will focus on requirements testing, system configuration, interface development with our financial management systems, and change management activities in support of completing a world-wide implementation in the second quarter of 2027.

Compensation Systems Program

The Global Foreign Affairs Compensation System leverages a rules-based, table-driven architecture to promote compliance with the complex statutes and policies found across the Foreign and Civil Service Acts and local laws and practices applicable to all the countries in which civilian agencies operate providing payroll solutions to the Department's Foreign Service annuitants, LE staff, and U.S. direct hire employees.

In 2024, development, testing, and implementation continued for three new web-based products; the global time and attendance application that uses the Oracle PeopleSoft Human Capital Management product providing improved business process controls for time and attendance procedures; the Web Global Earnings and Leave Statement; and myPay, a ServiceNow solution that streamlines the submission, approval and processing of various payroll employee action requests. The global time and attendance application has begun pilot implementations with LE staff in Bangkok, including the assessment of business practices associated with integrated leave and pay requests, electronic routing and approvals, and self-service features.

Figure 22 highlights how the future workforce management ecosystem involves integration, modernization, simplification, and consolidation of the human capital and compensation systems.

Business Intelligence Program

The Department's Business Intelligence program consists primarily of the Global Business Intelligence (BI) Reporting application. Global BI enables users to access financial information from standard, prepared reports, and customized queries. Global BI is also updated multiple times per day with current, critical financial information from the Department's financial management applications. Global BI has replaced the legacy COAST Reporting application within the Department. Other agency headquarter sites are the only entities using COAST Reporting and COAST Payroll Reporting modules.

Figure 22. The Department's Future Workforce Management

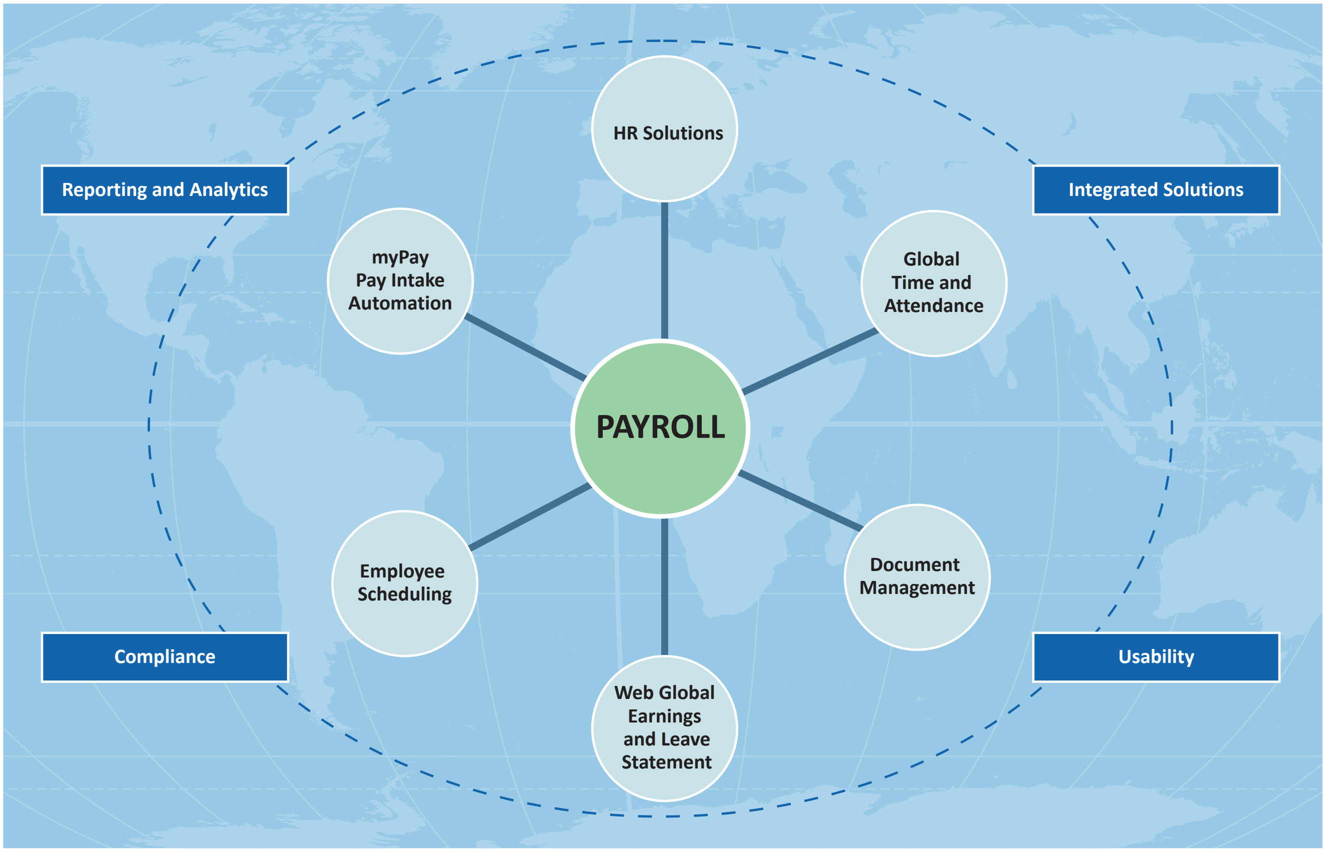


Figure 22 long description.

The Department uses an agile-like methodology incorporating product owners and Global BI testers into the development process for Global BI enhancements. The current vision for Global BI is to accelerate decision making, deliver excellence, promote field experience and adoption, streamline business operations, and promote data sharing and data governance. With the implementation of PowerApps into the Global BI architecture, the Global BI team has been able to implement a number of critical dashboards. During 2024, multiple dashboards were implemented, including a Financial Management Officer dashboard, an Unliquidated Obligation dashboard, a Spending Summary dashboard, and a Historical Invoice Analysis dashboard. Development of a solution for other agency headquarters sites to use Global BI was initiated in 2024. The Business Objects component of Global BI will also be upgraded this year from version 4.2 to 4.3 providing a more modern user interface.

Upcoming Financial System Consolidation

Standardizing business processes and consolidating GFMS and RFMS/M into a single financial management system remain a strategic goal that is strongly requested by our global user community. Funding constraints have significantly delayed our ability to make progress toward this goal. In the interim, the GFMS and RFMS/M teams continue to analyze areas where domestic and overseas business and system processes can become more closely aligned to move towards financial system consolidation. All new development is being designed with future consolidation in mind.

FOCUS

100,000 Strong in the Americas Initiative

Leaders from U.S. Embassy Santiago, CAF - Development Bank of Latin America, and higher education institutions from Argentina, Chile, Paraguay, and Uruguay celebrate their 100K Strong partnerships with U.S. higher education institutions to expand climate-action exchange and training programs at the 100K Strong in the Americas Winners' Event, in Santiago, Chile, December 2023. *Department of State*

The Bureau of Western Hemisphere Affairs' (WHA) 100,000 Strong in the Americas (100K Strong) initiative catalyzes partnerships to expand regional higher education cooperation, strengthen institutional capacity, and increase access to exchange and training programs for students and faculty in STEM, public health, technology, agriculture, climate action, and other areas. 100K Strong is a team effort between WHA's Office of Public Diplomacy and Public Affairs (WHA/PDA), posts, and implementer Partners of the Americas (POA), working with regional government entities, private sector, and higher education institutions to ensure a greener, more inclusive, prosperous, and democratic Hemisphere. 100K Strong grants broaden access to new models of sustainable exchanges and position the United States as the preferred higher education partner in WHA countries.

Since 2013, WHA/PDA has worked with posts and POA to ensure sustainable cross-sector partnerships with regional private, public, and academic sectors to cultivate and leverage non-U.S. Government funding to support 100K Strong grants and WHA policy priorities. As of September 2024, the 100K Strong program has awarded 345 grants ($25,000-$50,000 each) to 615 higher education institutions in 26 countries and 50 U.S. states. These 100K Strong-branded partnerships expand bilateral and regional education cooperation that provides 10,000+ students and faculty with technical, linguistic, and cross-cultural skills imperative to lead in a 21st Century climate-positive Hemisphere. In 11 years, this collaboration has leveraged more than $22 million (more than 60 percent from non-U.S. Government sources) to stimulate higher education partnerships and support WHA policy priorities.

In December 2023, WHA/PDA coordinated the 100K Strong Winners' Event with U.S. Embassy Santiago and CAF - Development Bank of Latin America and the Caribbean to announce a new cohort of sub-regional 100K Strong grant-winning teams from Argentina, Chile, Paraguay, Uruguay, and the United States. These six new 100K Strong teams each received $50,000 grants to implement new models of climate-action student exchange and training programs in green technology, water management, urban agriculture, and indigenous approaches to sustainability among others.

For more information, watch the "*What is the 100,000 Strong in the Americas Innovation Fund?*" video.

Heritage Assets

The Department has collections of art objects, furnishings, books, and buildings that are considered heritage or multi-use heritage assets. These collections are housed in the Diplomatic Reception Rooms, senior staff offices in the Secretary's suite, offices, reception areas, conference rooms, the cafeteria and related areas, and embassies throughout the world. The items have been acquired as donations, are on loan from the owners, or were purchased using gift and appropriated funds. The assets are classified into nine categories: the Diplomatic Reception Rooms Collection, the Art Bank Program, the Library Rare & Special Book Collection, the Cultural Heritage Collection, the Secretary of State's Register of Culturally Significant Property, the National Museum of American Diplomacy, the Art in Embassies Program, the International Boundary and Water Commission, and the Blair House. Items in the Register of Culturally Significant Property category are classified as multi-use heritage assets due to their use in general government operations.

Diplomatic Reception Rooms Collection

In 1961, the Department's Office of Fine Arts began the privately-funded Americana Project to remodel and redecorate the 42 Diplomatic Reception Rooms – including the offices of the Secretary of State – on the seventh and eighth floors of the Harry S Truman Building. The Secretary of State, the President, and Senior Government Officials use the rooms for official functions promoting American values through diplomacy. The rooms reflect American art and architecture from the time of our country's founding and its formative years, 1740 – 1840. The rooms also contain one of the most important collections of early Americana in the nation, with over 5,000 objects, including museum-quality furniture, rugs, paintings, and silver. These items have been acquired through donations or purchases funded through gifts from private citizens, foundations, and corporations. No tax dollars have been used to acquire or maintain the collection. Although tours are temporarily closed to the public, visitors can explore the rooms online in a self-guided virtual tour at *diplomaticrooms.state.gov*.

Art Bank Program

The Art Bank Program was established in 1984 to acquire artworks that could be displayed throughout the Department's offices and annexes. The works of art are displayed in staff offices, reception areas, conference rooms, the cafeteria, and related public areas. The collection consists of original works on paper (watercolors and pastels) as well as limited edition prints, such as lithographs, woodcuts, intaglios, and silk-screens. These items are acquired through purchases funded by contributions from each participating bureau.

Library Rare & Special Book Collection

In recent years, the Ralph J. Bunche Library has identified books that require special care or preservation. Many of these publications have been placed in the Rare Books and Special Collections Room, which is located adjacent to the Reading Room. Among the treasures is a copy of the *Nuremberg Chronicle*, which was printed in 1493; volumes signed by Thomas Jefferson; and books written by Foreign Service authors.

Cultural Heritage Collection

The Cultural Heritage Collection, which is managed by OBO's Office of Cultural Heritage, is responsible for identifying and maintaining cultural objects owned by the Department in its properties abroad. The collections are identified based upon their historic importance, antiquity, or intrinsic value.

Secretary of State's Register of Culturally Significant Property

The Secretary of State's Register of Culturally Significant Property was established in 2000 to recognize the Department's owned properties overseas that have historical, architectural, or cultural significance. Properties in this category include chanceries, consulates, and residences. All of these properties are used predominantly in general government operations and are thus classified as multi-use heritage assets. Financial information for multi-use heritage assets is presented in the principal statements. The register is managed by OBO's Office of Cultural Heritage.

National Museum of American Diplomacy

The National Museum of American Diplomacy is a unique education and exhibition venue at the Department of State that tells the story of the history, practice, and challenges of American diplomacy. It is a place that fosters a greater understanding of the role of American diplomacy, past, present, and future, and is an educational resource for students and teachers in the United States and around the globe. Exhibitions and programs inspire visitors to make diplomacy a part of their lives. The National Museum of American Diplomacy actively collects artifacts for exhibitions.

Art in Embassies Program

The Art in Embassies Program was established in 1963 to promote national pride and the distinct cultural identity of America's arts and its artists. The program, which is managed by OBO, provides original U.S. works of art for the representational rooms of United States ambassadorial residences worldwide. The works of art are on loan from individuals, organizations, or museums.

International Boundary and Water Commission

One of the IBWC's primary mission requirements is the demarcation and preservation of the international boundary between the United States and Mexico (see *Note 1.A, Reporting Entity and Basis Consolidation*). Roughly 1,300 miles of this border are demarcated by the Rio Grande and the Colorado River, and the other 700 miles of border are demarcated by 276 monuments along the land boundary, which extends from the Pacific Ocean to the Rio Grande. These monuments are jointly owned and maintained by the United States and Mexico. The United States is responsible for 138 monuments and considers them heritage assets. In addition, the IBWC is responsible for the Falcon International Storage Dam and Hydroelectric Power Plant. These were constructed jointly by the United States and Mexico pursuant to the Water Treaty of 1944 for the mission purposes of flood control, water conservation, and hydroelectric power generation. Both were dedicated by U.S. President Dwight D. Eisenhower and President Adolfo Ruiz Cortines, of Mexico, to the residents of both countries. Falcon is located about 75 miles downstream (southeast) of Laredo, Texas and about 150 miles above the mouth of the Rio Grande. They are considered multi-use heritage assets.

Blair House

Composed of four historic landmark buildings owned by GSA, Blair House, the President's Guest House, operates under the stewardship of the Department of State's Office of the Chief of Protocol and has accommodated official guests of the President of the United States since 1942. In 2010, these buildings were added to the Secretary's Register of Culturally Significant Property for their important role in

U.S. history and the conduct of diplomacy over time. Its many elegant rooms are furnished with collections of predominantly American and English fine and decorative arts, historical artifacts, other cultural objects, rare books, and archival materials documenting the Blair family and buildings history from 1824 to the present. Objects are acquired via purchase, donation or transfer through the private non-profit Blair House Restoration Fund; transfers may also be received through the Department's Office of Fine Arts and Office of the Chief of Protocol. Collections are managed by the Office of the Curator at Blair House, which operates under the Office of Fine Arts.

Financial Reporting-Related Legislation

Significant Federal reporting entities and components must report all agency-specific legislative provisions enacted in the prior year or current year that address agency-specific financial accounting, reporting, or auditing issues. The pertinent legislation is displayed in Table 16. In accordance with the OMB reporting requirements, this section excludes routine reauthorizations and recurring appropriations.

Table 16. Financial Reporting-Related Legislation

Statutory Authority	Public Law Citation	Explanation
Creating Helpful Incentives to Produce Semiconductors Act of 2022	*Public Law No. 117-167*	Provided for international information and communications technology security and semiconductor supply chain activities.
Ukraine Supplemental Appropriations Act, 2023	*Public Law No. 117-180*	Provided supplemental appropriations for assistance to Ukraine.
Additional Ukraine Supplemental Appropriations Act, 2023	*Public Law No. 117-328*	Provided additional supplemental appropriations to support Ukraine.
Fiscal Responsibility Act of 2023	*Public Law No. 118-5*	Rescinded unobligated COVID-19 supplemental balances.
Emergency Supplemental Appropriations, including: Israel Security Supplemental Appropriations Act, 2024 (Division A) Ukraine Security Supplemental Appropriations Act, 2024 (Division B) Indo-Pacific Security Supplemental Appropriations Act, 2024 (Division C)	*Public Law No. 118-50*	Provided emergency national security supplemental funding.

FOCUS

Public Diplomacy Celebrates NATO 75

The Bureau of European and Eurasian Affairs (EUR) Office of Press and Public Diplomacy, the U.S. Mission to NATO's Office of the Public Affairs Advisor, and Public Diplomacy Sections at overseas missions, highlighted NATO's importance to U.S. national security by organizing a series of events across Europe during its 75th anniversary year. These events culminated in the NATO Washington Summit in July 2024.

Some of these events were as follows:

- Youth conferences in the Netherlands and Sweden;
- Traveling exhibits in Czechia;
- A U.S. speaker program in Slovenia;
- A culinary diplomacy program in Brussels including Secretary Blinken;
- Media, screenwriter, and content creator tours to NATO exercises and events; and
- A series of coordinated social media video campaigns across Europe.

Domestically, EUR supported approximately 40 outreach engagements from Alaska to Florida, highlighted by the NATO Youth Summit in Miami and a youth event at the National Archives and Records Administration in Washington, D.C., featuring the original North Atlantic Treaty, also known as the Washington Treaty. During the NATO Washington Summit, EUR arranged numerous interview opportunities for our bureau leadership to engage with domestic and international press to highlight Summit expectations and outcomes.

U.S. Ambassador to NATO Julianne Smith meets with Albanian journalist and social media influencer Drini Zeqo during his visit to NATO Headquarters.
Department of State

EUR staff efforts to engage with European and American publics around the 75th anniversary emphasized NATO's ongoing importance to transatlantic security, advancing EUR's Joint Regional Strategy Objective 1.1 Strengthen U.S. and Allied commitment to NATO.

More information on the impacts of NATO to our daily lives can be found in this *digital story*.

U.S. Secretaries of State Past and Present

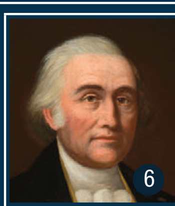
Thomas Jefferson
(1790-1793)

Edmund
Jennings Randolph
(1794-1795)

Timothy Pickering
(1795-1800)

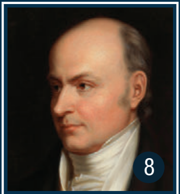
John Marshall
1800-1801

James Madison
(1801-1809)



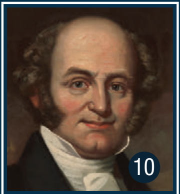
Robert Smith
(1809-1811)

James Monroe
(1811-1817)



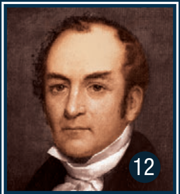
John Quincy
Adams
(1817-1825)

Henry Clay
(1825-1829)



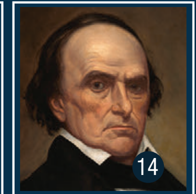
Martin Van Buren
(1829-1831)

Edward Livingston
(1831-1833)

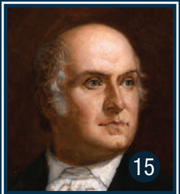


Louis McLane
(1833-1834)

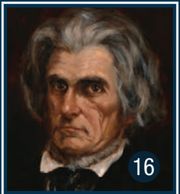
John Forsyth
(1834-1841)



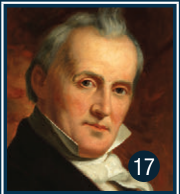
Daniel Webster
(1841-1843)



Abel Parker
Upshur
(1843-1844)



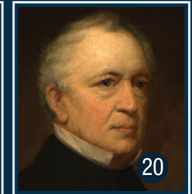
John Caldwell
Calhoun
(1844-1845)



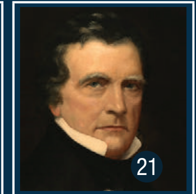
James Buchanan
(1845-1849)

John Middleton
Clayton
(1849-1850)

Daniel Webster
(1850-1852)

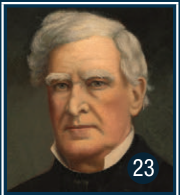


Edward Everett
(1852-1853)

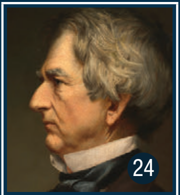


William
Learned Marcy
(1853-1857)

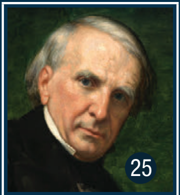
Lewis Cass
(1857-1860)



Jeremiah
Sullivan Black
(1860-1861)

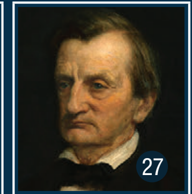


William
Henry Seward
(1861-1869)



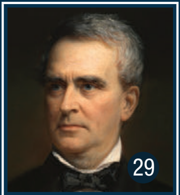
Elihu Benjamin
Washburne
(1869-1869)

Hamilton Fish
(1869-1877)



William Maxwell
Evarts
(1877-1881)

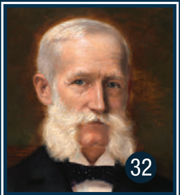
James Gillespie
Blaine
(1881-1881)



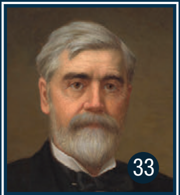
Frederick Theodore
Frelinghuysen
(1881-1885)

Thomas
Francis Bayard
(1885-1889)

James
Gillespie Blaine
(1889-1892)



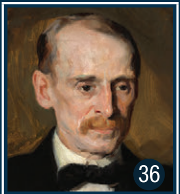
John
Watson Foster
(1892-1893)



Walter Quintin
Gresham
(1893-1895)

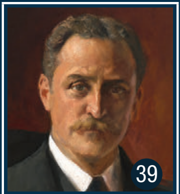
Richard Olney
(1895-1897)

John Sherman
(1897-1898)

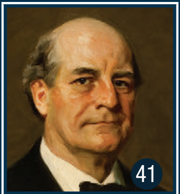

36
William Rufus Day (1898-1898)

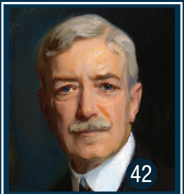

37
John Milton Hay (1898-1905)


38
Elihu Root (1905-1909)

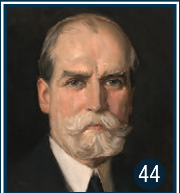

39
Robert Bacon (1909-1909)


40
Philander Chase Knox (1909-1913)


41
William Jennings Bryan (1913-1915)


42
Robert Lansing (1915-1920)


43
Bainbridge Colby (1920-1921)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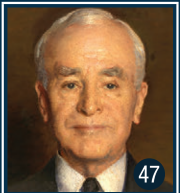
Charles Evans Hughes (1921-1925)


45
Frank Billings Kellogg (1925-1929)


46
Henry Lewis Stimson (1929-1933)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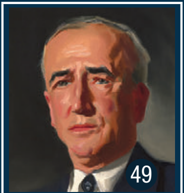
Cordell Hull (1933-1944)


48
Edward Reilly Stettinius Jr. (1944-1945)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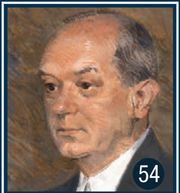
James Francis Byrnes (1945-1947)


50
George Catlett Marshall (1947-1949)


51
Dean Gooderham Acheson (1949-1953)


52
John Foster Dulles (1953-1959)


53
Christian Archibald Herter (1959-1961)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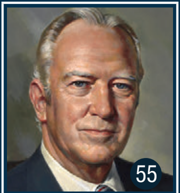
David Dean Rusk (1961-1969)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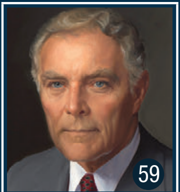
William Pierce Rogers (1969-1973)


56
Henry A. Kissinger (1973-1977)


57
Cyrus Roberts Vance (1977-1980)


58
Edmund Sixtus Muskie (1980-1981)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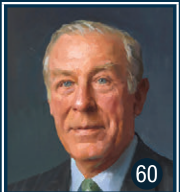
Alexander Meigs Haig Jr. (1981-1982)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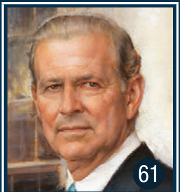
George Pratt Shultz (1982-1989)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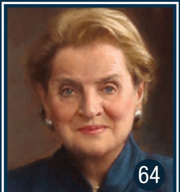
James Addison Baker III (1989-1992)


62
Lawrence Sidney Eagleburger (1992-1993)


63
Warren Minor Christopher (1993-1997)

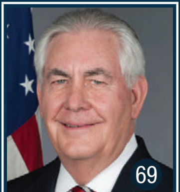

64
Madeleine Korbel Albright (1997-2001)


65
Colin Luther Powell (2001-2005)

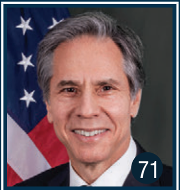

66
Condoleezza Rice (2005-2009)


67
Hillary Rodham Clinton (2009-2013)


68
John Forbes Kerry (2013-2017)


69
Rex Wayne Tillerson (2017-2018)


70
Michael R. Pompeo (2018-2021)


71
Antony J. Blinken (2021-Present)

More information can be found on the Department's [Biographies of Secretaries of State](#) website.

Appendices

Appendix A: Abbreviations and Acronyms

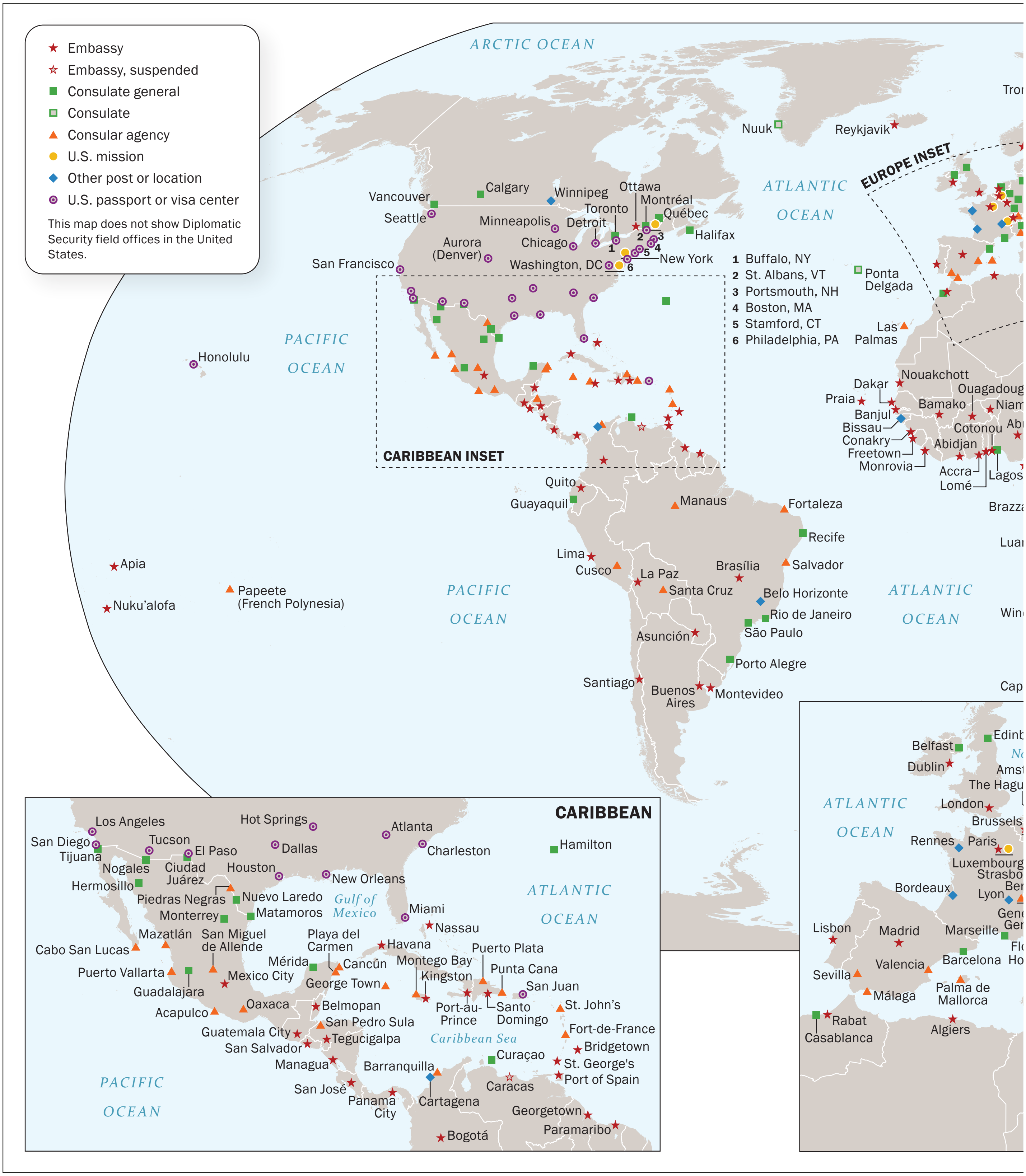
An asterisk represents affiliation with the Department of State, such as a bureau, office, or system.

100K Strong	100,000 Strong in the Americas Program
A Bureau	Bureau of Administration*
ADA	Antideficiency Act
AFR	Agency Financial Report
AI	Artificial Intelligence
AIDS	Acquired Immunodeficiency Syndrome
APG	Agency Priority Goal
APP	Annual Performance Plan
ASEAN	Association of Southeast Asian Nations
APR	Annual Performance Report
Appendix A	OMB Circular A-123, Appendix A
BCDO	Bureau Chief Data Officer*
BI	Business Intelligence
BSM	Budget System Modernization*
CA	Bureau of Consular Affairs*
CARP	Climate Adaptation and Resilience Plan
CBSP	Consular and Border Security Programs*
CEAR	Certificate of Excellence in Accountability Reporting
CfA	Center for Analytics*
CFO	Chief Financial Officer
CFR	Code of Federal Regulations
CGFS	Bureau of the Comptroller and Global Financial Services*
CHIPS	Creating Helpful Incentives to Produce Semiconductors Act of 2022
CIO	Contributions to International Organizations
CIP	Construction-in-Progress
CIPA	Contributions for International Peacekeeping Activities
CLN	Certificate of Loss of Nationality
CMMI	Capability Maturity Model Integration
COAST	Consolidated Overseas Accountability Support Toolbox*
COM	Chief of Mission*
COTS	Commercial Off-the-Shelf
COVID-19	Coronavirus Disease 2019
CS&R	Climate Security and Resilience
CSRS	Civil Service Retirement System
D	Deputy Secretary of State*
DCP	Defined Contribution Plan
DEIA	Diversity, Equity, Inclusion, and Accessibility
Department	U.S. Department of State*
D-MR	Deputy Secretary of State for Management and Resources*
DM&R	Deferred Maintenance and Repairs
DoD	U.S. Department of Defense
DOL	U.S. Department of Labor
DS	Bureau of Diplomatic Security*
DT	Bureau of Diplomatic Technology*
EAP	Bureau of East Asian and Pacific Affairs*
EGB	Enterprise Governance Board*
ESCM	Embassy Security, Construction, and Maintenance*
EUR	Bureau of European and Eurasian Affairs*
EWC	East-West Center
FAM	Foreign Affairs Manual
FASAB	Federal Accounting Standards Advisory Board
FBWT	Fund Balance with Treasury
FCI	Facility Condition Index
FECA	Federal Employees' Compensation Act

FEGLIP	Federal Employees' Group Life Insurance Program
FEHBP	Federal Employees Health Benefits Program
FERS	Federal Employees Retirement System
FFMIA	Federal Financial Management Improvement Act of 1996
FISMA	Federal Information Security Modernization Act of 2014
FMFIA	Federal Managers' Financial Integrity Act of 1982
FR	Federal Register
FR	Financial Report of the U.S. Government
FSI	Foreign Service Institute*
FSN	Foreign Service National
FSN DCF	Foreign Service National Defined Contributions Fund
FSO	Foreign Service Officer
FSRDF	Foreign Service Retirement and Disability Fund
FSRDS	Foreign Service Retirement and Disability System
FSPS	Foreign Service Pension System
FWCB	Federal Workers' Compensation Benefits
FY	Fiscal Year
G-Invoicing	Government-Invoicing
GAAP	Generally Accepted Accounting Principles
GAAS	Generally Accepted Auditing Standards
GAO	U.S. Government Accountability Office
GenAI	Generative Artificial Intelligence
GFMS	Global Financial Management System*
GHSD	Bureau of Global Health Security and Diplomacy*
GPRA	Government Performance and Results Act of 1993
GSA	U.S. General Services Administration
GTAS	Government-wide Treasury Account Symbol Adjusted Trial Balance System
GTM	Bureau of Global Talent Management*
HHS	U.S. Department of Health and Human Services
HIV	Human Immunodeficiency Virus
HR	Human Resources
IAS	International Accounting Standards
IBIS	Integrated Budget Intelligence System*
IBWC	International Boundary and Water Commission
ICAO	International Civil Aviation Organization (UN)
ICASS	International Cooperative Administrative Support Services*
INL	Bureau of International Narcotics and Law Enforcement Affairs*
IO	Bureau of International Organizations*
IO&P	International Operations and Programs
ISP	Inspection*
IT	Information Technology
IUS	Internal Use Software
JSP	Joint Strategic Plan
LE Staff	Locally Employed Staff*
LSSS	Local Social Security System
M	Under Secretary for Management*
MCSC	Management Control Steering Committee*
MED	Bureau of Medical Services*
MLMS	Mission Leadership and Management Survey
MRSS	Manila Regional Support Service*
M/SS	Office of Management Strategy and Solutions*
NADR	Nonproliferation, Antiterrorism, Demining, and Related Programs
NATO	North Atlantic Treaty Organization
NDAA	National Defense Authorization Act

NEA	Bureau of Near Eastern Affairs
NRP	Narcotics Rewards Program*
OAS	Organization of American States
OBO	Bureau of Overseas Buildings Operations*
OECD	Organization for Economic Cooperation and Development
OIG	Office of Inspector General*
OMB	U.S. Office of Management and Budget
OMS	Office Management Specialist
OPM	U.S. Office of Personnel Management
OSCE	Organization for Security and Co-operation in Europe
PBO	Projected Benefit Obligation
PEPFAR	President's Emergency Plan for AIDS Relief
PIIA	Payment Integrity Information Act of 2019
PMS	Payment Management System (HHS)
POA	Partners of the Americas
POSHO	Post Occupational Safety and Health Officer
PPA	Prompt Payment Act
PRC	People's Republic of China
RFJ	Rewards for Justice*
RFMS	Regional Financial Management System*
RFMS/C	Regional Financial Management System/Cashiering*
RFMS/D	Regional Financial Management System/Disbursing*
RFMS/M	Regional Financial Management System/Momentum*
RSI	Required Supplementary Information
RTU	Right-to-Use
SAT	Senior Assessment Team*
SCNP	Statements of Changes in Net Position
SFFAS	Statement of Federal Financial Accounting Standards
SG	Strategic Goal
SHEM	Office of Safety, Health, and Environmental Management*
SID	Software in Development
SoA	Statement of Assurance
SoAP	Statement of Assurance Processing Application*
SOC	Service Organization Controls
SRC	Security Review Committee
SRM	Sustainment, Restoration, and Modernization
STEM	Science, Technology, Engineering, and Mathematics
TB	Technical Bulletin
Treasury	U.S. Department of the Treasury
TSP	Thrift Savings Plan
U.S.C.	United States Code
UDO	Undelivered Orders
UK	United Kingdom
ULO	Unliquidated Obligation
UN	United Nations
UNEP	United Nations Environment Programme (UN)
UN-HABITAT	United Nations Human Settlements Programme (UN)
UNVIE	U.S. Mission to International Organizations in Vienna
USAID	U.S. Agency for International Development
USSGL	U.S. Standard General Ledger
VAT	Value Added Tax
VCP	Variable Contribution Plan
WCF	Working Capital Fund
WHA	Bureau of Western Hemisphere Affairs*
WHA/PDA	Office of Public Diplomacy and Public Affairs*
YALI	Young African Leaders Initiative

Appendix B: Department of State Locations



Locations shown based on latest available data. Boundary representation is not necessarily authoritative.

Cities with multiple Department of State facilities

Addis Ababa:
Embassy Addis Ababa
U.S. Mission to the African Union

Brussels:
Embassy Brussels
U.S. Mission to the European Union
U.S. Mission to NATO

Geneva:
U.S. Mission Geneva
Consular Agency Geneva

Jakarta:
Embassy Jakarta
U.S. Mission to ASEAN

Montréal:
Consulate General Montréal
U.S. Mission to ICAO

Nairobi:
Embassy Nairobi
U.S. Mission Nairobi
U.S. Mission to UNEP
U.S. Mission to UN-HABITAT

New York:
U.S. Mission to the UN
New York Passport Center

Paris:
Embassy Paris
U.S. Mission to OECD

Portsmouth, NH:
National Passport Center
National Visa Center

Rome:
Embassy Rome
Embassy Holy See
U.S. Mission Rome

Vienna:
Embassy Vienna
U.S. Mission to OSCE
U.S. Mission to UNVIE

Washington, DC:
Department of State
U.S. Mission to OAS
Washington Passport Agency

2983 10-24 STATE (INR)

[Department of State locations map long description](#).

Appendix C: Tables, Figures, and Image Credits

Tables

Figures

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