U.S. DEPARTMENT *of* STATE

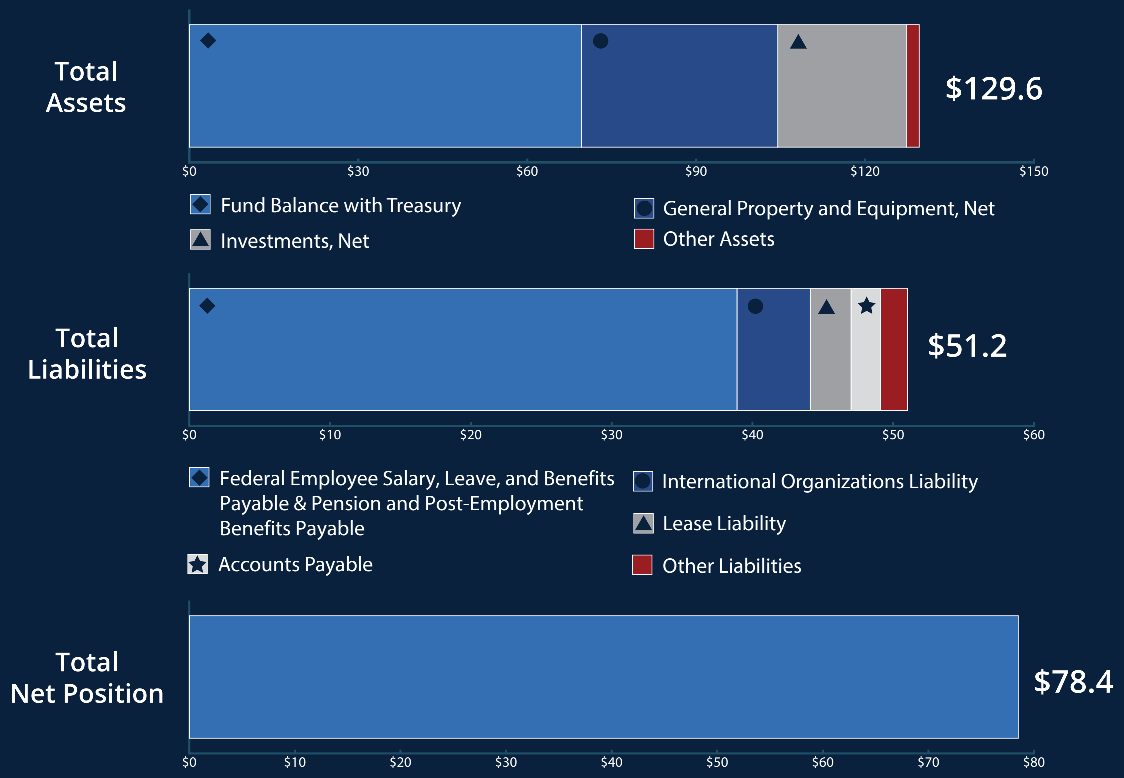
Fiscal Year 2025

Agency Financial Report

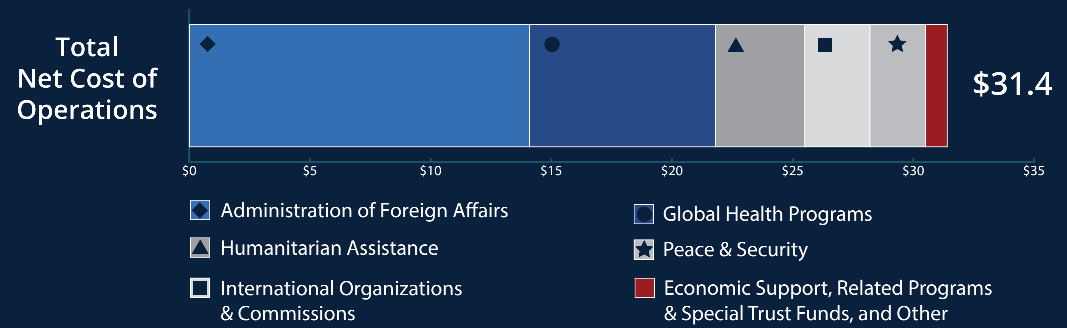
U.S. DEPARTMENT OF STATE AT A GLANCE

Figure 1. 2025* Highlights (*dollars in billions*)

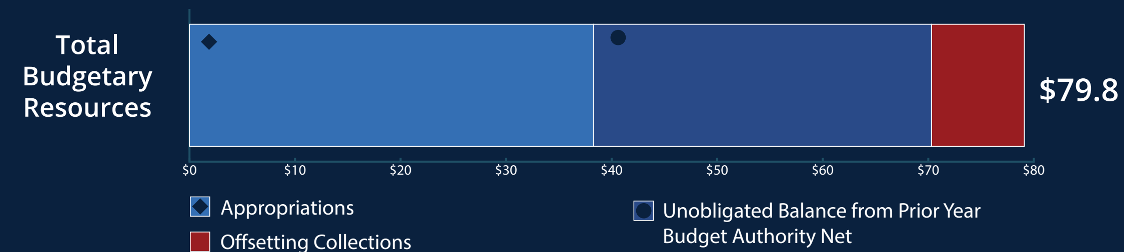
Balance Sheet Totals as of September 30, 2025: *Includes Total Assets, Total Liabilities, and Total Net Position.*



Results of Operations for the Year Ended September 30, 2025: *Includes Total Net Cost of Operations.*



Budgetary Resources for the Year Ended September 30, 2025: *Includes Appropriations, Offsetting Collections, and Unobligated Balance from Prior Year.*



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

Figure 1 long description.

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About This Report

The U.S. Department of State's (Department) *Agency Financial Report* (AFR) for Fiscal Year (FY) 2025 provides a comprehensive overview of the Department's financial performance, accountability, and stewardship of taxpayer resources. It serves as a critical tool for fostering transparency and trust, enabling Congress, the President, and the public to assess how the Department manages its resources to achieve its mission.

Prepared in accordance with the U.S. Office of Management and Budget's (OMB) Circular No. A-136, *Financial Reporting Requirements*, the AFR meets key Federal requirements, including:

- 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, issued in December 2025 and available on the State.gov *Agency Financial Reports* page, is based on data from the Department's financial management systems, which are reconciled, reviewed, and audited to ensure accuracy and compliance with federal standards. It is the first of two annual reports, followed by the agency *Annual Performance Report*, issued in early 2026, which highlights the Department's strategic plan performance. Both reports reflect the Department's commitment to transparency, fiscal responsibility, and the effective management of public resources.

Certificate of Excellence in Accountability Reporting

On May 21, 2025, the U.S. Department of State was awarded the AGA's prestigious *Certificate of Excellence in Accountability Reporting* (CEAR) for its 2024 Agency Financial Report. The CEAR is the highest form of recognition in Federal Government financial reporting and honors Federal agencies and individuals who demonstrate reporting excellence. The Department also received a Best-in-Class award for "Informative lease disclosures and effective implementation of SFFAS 54, Leases."

The CEAR Program, established by AGA in collaboration with OMB and the Chief Financial Officers Council, aims to enhance accountability, showcase agency achievements, and integrate performance and financial reporting. This recognition marks the 20th time the Department has been honored with the CEAR.

How This Report is Organized

The Department's AFR for 2025 provides financial and performance information for the fiscal year beginning October 1, 2024, and ending on September 30, 2025. 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, Marco A. Rubio. This introduction is followed by three main sections and appendices.

Section I: Management's Discussion and Analysis

Section I provides an integrated overview of the Department's program performance and financial information. It begins with a summary of the Department's mission and organization, followed by a brief description of the 2025 reorganization. This section presents an overview of its operating performance, highlights the agency's financial position and condition, and provides an analysis of its systems, controls, and legal compliance.

Section II: Financial Section

Section II details the Department's finances. It opens with a message from the Comptroller, and includes the auditor's 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, payment integrity reporting, 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, and a listing of the tables and figures 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

From my first day as Secretary, I have applied a simple standard across the Department. Does a policy, office, or decision make the United States safer, stronger, and more prosperous? Is an expenditure serving the interests of the American people, and advancing a foreign policy that puts America First? Or does it preserve processes and programs merely because they existed yesterday?

The State Department is here to secure our borders, defend American workers, deny adversaries opportunities to weaken the United States, and make certain that every dollar we spend advances the national interest. Americans see the consequences of failure when illegal immigration, narcotics trafficking, unfair trade practices, and cross-border crises go unanswered. The resources entrusted to this Department belong to the American people, and we treat them that way.

The Department of State's Agency Financial Report for Fiscal Year 2025 shows our accounting to the President, the Congress, and the public. It explains how we steward public funds, maintain internal controls, and align resources with this Administration's foreign policy priorities. Based on our assessment of internal controls and the independent audit results, I can provide reasonable assurance that the 2025 financial statements are complete and reliable. Just as important, this report shows how our reforms modernize the Department to confront the world as it is, not the world we wish it were.

This year, we undertook the most significant reorganization of the Department in a generation, and it is already delivering results. Authority and accountability have returned to regional bureaus, who are closest to events as they unfold, enabling faster decision-making. Foreign assistance functions have been integrated to serve strategic objectives rather than operate on autopilot. These reforms reflect the President's direction that American diplomacy be mission-driven and in harmony with an America First foreign policy.

Our priorities for the coming year are grounded in that mandate.

Secure America's borders. The Department is intensifying engagement with partners to end illegal immigration, disrupt narcotics flows, and hold accountable criminal organizations and foreign governments that facilitate these activities.

Advance American and global prosperity. American economic strength is a pillar of national security. We are promoting fair and reciprocal trade, supporting U.S. competitiveness, and securing critical supply chains.

Defend regional stability. We are committed to peace through strength – whether deterring aggression in Asia, sustaining transatlantic unity, restoring our primacy in the Western Hemisphere, or supporting a stable Middle East.

Restore strategy to foreign assistance. The Department is adjusting humanitarian responses to emphasize trade over long-term aid dependency, counter adversarial influence, and reinforce U.S. leadership.

Our modernization efforts extend to our workforce. We have restored merit-based recruitment and promotion, enhanced training to incorporate AI and data-driven tools, and embraced policies that empower our most talented personnel to shape the Department's future. We have taken steps to allow more foreign service officers serving overseas to participate on promotion boards and have closed programs that did not advance U.S. foreign policy.

The Department is safeguarding facilities at home and abroad, while ensuring that modernization of diplomatic security, cybersecurity, and counterintelligence keeps America ahead of our adversaries. We are improving our ability to respond to emerging threats, such as unmanned aerial systems, and to re-open posts in locations from which we have withdrawn.

Marco A. Rubio

The American people deserve a State Department willing and able to advance their safety, security, and prosperity around the world, one respectful of their tax dollars and the sacred trust of government service. I can assure the American people that they now have a State Department that is putting America First and that is prepared to bring about a new American century.

Marco Rubio
Secretary of State
December 18, 2025

Section I:

Management's Discussion and Analysis

About the Department

The U.S. Department of State, established in 1789 as the first executive department of the U.S. government, leads America's foreign policy efforts to advance diplomacy and protect U.S. interests. The Department is led by the Secretary of State, who is nominated by the President and confirmed by the U.S. Senate. As the President's principal foreign policy advisor and a member of the Cabinet, the Secretary carries out the President's foreign policies through the Department and its employees. The Department has evolved to address the complexities of international relations while ensuring the effective and transparent management of taxpayer resources. Through its global network of diplomatic missions, the Department seeks to protect and promote U.S. security, prosperity, and democratic values and shape an international environment in which Americans can thrive. These efforts, combined with a focus on transparency and accountability, ensure that the Department remains a responsible steward of public funds while making America safer, stronger, and more prosperous.

For a comprehensive history and in-depth information, visit the Department's *Office of the Historian* website.

Our Mission

The Department's core mission encompasses diplomacy, consular affairs, foreign assistance, and global engagement. These efforts are guided by strategic planning tools and Integrated Country Strategies (ICS), which align programs and resources with U.S. foreign policy priorities. By integrating financial considerations into its operations, the Department ensures accountability, measurable results, and the efficient use of resources to advance U.S. interests and values.

Our Organization

The Department's organizational structure supports its mission through bureaus and offices dedicated to regional, functional, and administrative priorities. This structure enables the Department to align its operations with national objectives while maintaining fiscal responsibility. Sound financial management practices, rigorous oversight, and interagency coordination ensure that resources are allocated effectively to achieve strategic goals.

2025 Reorganization

In 2025, the Department undertook its most significant reorganization since the Cold War—aimed at streamlining operations, reducing redundancies, and enhancing accountability across Federal agencies. The reorganization focused on aligning resources with mission-critical priorities, consolidating non-essential functions, and implementing efficiency measures to optimize workforce and operational expenditures.

Key impacts of the reorganization included:

- **Workforce Optimization:** The Department undertook a series of initiatives to align staffing levels with mission priorities and budgetary constraints while streamlining recruitment and onboarding processes, prioritizing internal mobility, and expanding opportunities for cross-training.
- **Reductions in Force (RIFs):** The reorganization eliminated non-statutory offices whose roles did not align with core U.S. national security or foreign policy objectives, or whose functions overlapped with or were duplicative of other offices. These measures contribute to a leaner organizational structure and lower operational expenses.
- **Operational Efficiencies:** The Department consolidated management and administrative support functions to drive uniformity and efficiency. It developed data-driven hiring plans and reorganization strategies to ensure resources were allocated to areas of highest need, minimizing waste and maximizing the return on taxpayer investment.

The long-term benefits include reduced overhead, streamlined operations, and enhanced fiscal accountability. These changes reflect the Department's commitment to prudent stewardship of public funds and its dedication to delivering effective and efficient services to the American people.

The latest organization chart is available on the Department's *Organization Chart* website.

More information can be found on the U.S. Department of State website.

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.

Planning

Every four years, the Department undergoes a strategic planning process during which the incoming Administration outlines priorities and creates a roadmap for achieving the Department's goals. This will yield the Department's Strategic Plan, which guides resource alignment and strengthens multi-year efforts to accomplish the President's foreign policy vision.

The 2026-2030 Department of State Strategic Plan is under development and will be published in early 2026. When complete the Strategic Plan will guide development of bureau and country-level strategies. These more operational strategies inform program, policy, and activity planning, and specify performance metrics to measure progress.

Bureau- and country-level strategies are flexible management tools that the Department calibrates to respond to new policy priorities and emerging evidence. The Department mandates regular progress reviews, such as bureau and mission annual strategy reviews to assess progress toward achieving strategic objectives.

Performance Summary and Highlights

Performance Management and Reporting

The Department implements a comprehensive performance management framework through its Annual Performance Plan (APP), which establishes outcome-oriented metrics to track progress toward strategic objectives. Progress is analyzed both qualitatively and quantitatively through the Annual Performance Report (APR) to demonstrate advancement toward strategic objectives and deliver measurable value to American taxpayers.

The Department continually reviews performance progress against the Strategic Plan's strategic objectives in a variety of complementary settings, including Data Quality Assessments and Resource Strategy Reviews. 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.

For 2025, the Department defines "major programs," as required in OMB Circular A-136, *Financial Reporting Requirements*, as seven programmatic themes. Financial information, such as the net cost of the Department's operations can be found in the *Consolidated Statement of Net Cost* and *Note 15* in the Financial Section of this report.

The performance indicators in the next section reflect the 2024 results and 2025 targets as the latest completed data to date. The Department of State's performance results for 2025 will be published in Spring 2026, on State.gov *Plans, Performance, Budget* web page, together with the Department's 2027 Annual Performance Plan.

Major Programs

Peace and Security

The Department promotes peace and security through addressing immediate threats, support for peacemaking, and bolstering resilience. In the Western Hemisphere, for instance, key efforts include combating transnational crime and drug trafficking, stabilizing Haiti through international partnerships, and countering authoritarian regimes in Venezuela, Cuba, and Nicaragua. Innovative financing mechanisms, such as $8 billion in Foreign Military Financing loan and loan guarantee authority, offers new tools for the Department to enhance the security capabilities of key allies, with little cost to the U.S. taxpayer. The Department also works to address emerging security challenges, including advancements in artificial intelligence (AI), quantum computing, and biotechnology.

Result Analysis: A critical performance indicator addresses the opioid crisis at the U.S.–Mexico border. This metric captures the Department's border bilateral interdiction initiatives and highlights collaborative efforts with partner governments across the Western Hemisphere. Notably, performance in this area exceeded the target by 3.5 percent in 2024. In 2024, the results of 8.8 million pills seized by Bureau of International Narcotics and Law Enforcement Affairs (INL)-supported units met the established target of 8.5 million, demonstrating that these forces performed as expected and maintained operational effectiveness. While the 2024 results demonstrate the effectiveness of INL-supported units, the 2025 target underscores the importance of continued investment and strategic adjustments to sustain and enhance the impact of U.S. efforts to combat the opioid crisis.

Table 1. Key Performance Indicator: Peace and Security

Key Performance Indicator Title	2023 Actual	2024 Target	2024 Actual	2025 Target
Number of fentanyl pills and potential pills seized by INL-supported units (in millions of pills).	n/a	8.5	8.8	8.5

Economic Support

The Department plays a pivotal role in advancing U.S. economic interests. Through strategic diplomacy, trade agreements, U.S. investment and export promotion, economic partnerships, infrastructure development, and influence over U.S. and multilateral development finance, the Department strengthens U.S. national security and prosperity. The Department seeks to bolster U.S. economic resilience, reducing dependence on adversarial nations and strengthening secure, diversified supply chains for critical goods and strategic sectors, including semiconductors, energy and minerals, and rare earth elements.

These key performance indicators represent the Department's efforts in economic statecraft and demonstrate support for U.S. trade exports and related economic policy priorities. The first indicator focuses on the technical and regulatory aspects of trade, ensuring fair and transparent market access for U.S. businesses. The second indicator highlights the broader strategic and relational impact of U.S. economic engagement, demonstrating how the U.S. is perceived as a partner of choice in the global economy.

Result Analysis: The results for the number of notifications of new or changed Technical Barrier to Trade measures in 2024 were not available, but data is expected to be collected for this indicator in the future. Future targets for 2025 and beyond reflect a new baseline due to a methodological shift that incorporates a conservative five percent year-over-year growth estimate in the number of notifications.

Given the option to choose either the United States, China, or both in 2023, six percent of surveyed individuals selected China only, with 43 percent selecting both, and 36 percent selecting the United States only. When given a list of countries and the option to select only one preferred partner in 2024, 56 percent selected the United States or its allies (Germany, Japan, or India), and 21 percent selected China or Russia.

Table 2. Key Performance Indicators: Economic Support

Key Performance Indicator Title	2023 Actual	2024 Target	2024 Actual	2025 Target
Number of notifications of new or changed Technical Barrier to Trade measures submitted to the World Trade Organization by Developing and Emerging Economies.	1,549	1,591	n/a	1,670
Percent of surveyed individuals who indicate a preference for the U.S. as an economic partner.	38%	41%	34%	35%

Global Health Programs

The Department advanced critical global health priorities, addressing both specific health challenges through coordination and management of U.S. global health assistance, such as for HIV/AIDS, and broader global health security preparedness and outbreak responses through diplomatic leadership, strategic partnerships, and targeted assistance. The Department significantly expanded its reach and impact through strategic diplomatic engagement and assistance, assuming responsibilities for implementing the full range of life-saving global health programming in 2025 and beyond including a new focus on tuberculosis, malaria, maternal and child health, polio, global health security, and immunization programming. This is in addition to its previous roles in global health security and efforts to end HIV as a public health threat by 2030. The President's Emergency Plan for AIDS Relief (PEPFAR) focused on transitioning HIV control programs to recipient countries, emphasizing cost-efficient treatment models and capacity-building for national management.

Result Analysis: The number of individuals receiving antiretroviral therapy (ART) is a critical indicator of progress in the fight against HIV/AIDS. In 2024, this figure increased to 20,629,582, up from 20,470,000 in 2023 representing a growth of 159,582 individuals, or approximately 0.8 percent. While this reflects incremental progress, the growth rate remains modest and fell short of the target of 20,862,666 by 233,084 individuals. This represents a gap of approximately 1.1 percent and underscores the need for renewed focus and strategic adjustments to overcome barriers to ART access and retention.

Antiretroviral pre-exposure prophylaxis (PrEP) is a cornerstone of HIV prevention, particularly for populations at higher risk, including preventing pregnant and breastfeeding women from acquiring HIV and transmitting it to their infant. The 2024 result (2,549,080) exceeded the target (1,946,312) by 602,768 individuals (approximately 30.9 percent above target). This substantial progress underscores the effectiveness of efforts to expand access to PrEP and demonstrates a positive trajectory in HIV prevention initiatives.

Table 3. Key Performance Indicators: Global Health Programs

Key Performance Indicator Title	2023 Actual	2024 Target	2024 Actual	2025 Target
Number of adults and children currently receiving ART.	20,470,000	20,862,666	20,629,582	20,812,449
Number of individuals who were newly enrolled (in the reporting period) on antiretroviral PrEP to prevent HIV infection.	1,877,924	1,946,312	2,549,080	2,474,905

Humanitarian Assistance

The Department's approach to humanitarian assistance prioritizes advancing U.S. national security, economic interests, and global stability. Funding for humanitarian assistance has been proposed for consolidation into a new International Humanitarian Assistance account which aims to reduce administrative burden, provide more flexibility, and fundamentally reorient U.S. humanitarian policy toward American interests. By addressing crises abroad, the Department reduces the risk of regional instability that can lead to mass migration, transnational crime, and threats to U.S. borders.

Result Analysis: This key performance indicator represents the Department's efforts to stabilize regions and promote international cooperation to reduce the burden on U.S. resources, ensuring taxpayer funds are used efficiently and strategically. Disaster declaration cables are a critical tool for mobilizing U.S. resources to respond to international disasters. By addressing humanitarian needs, stabilizing affected regions, and protecting U.S. citizens abroad, they contribute to the broader goal of safeguarding American interests and security. The Department has continued to support ongoing complex emergencies, while responding to new and worsening disasters. Despite increases in humanitarian disasters. The Department exceeded this performance indicator for 2024 by five percent.

Table 4. Key Performance Indicator: Humanitarian Assistance

Key Performance Indicator Title	2023 Actual	2024 Target	2024 Actual	2025 Target
Percent of disaster declaration cables responded to within 72 hours.	92%	95%	100%	95%

Administration of Foreign Affairs

The Department advances U.S. foreign policy objectives while reducing wasteful spending and unnecessary programs. In 2025, the Department implemented the federal civilian hiring freeze, with limited exceptions to ensure oversight of former U.S. Agency for International Development (USAID) programs integrated into the Department. The Department implemented two phases of the Deferred Resignation Program and a Reduction in Force consistent with the Secretary's Reorganization. These measures reflected the Department's commitment to fiscal responsibility and efficient resource allocation while maintaining its ability to advance U.S. foreign policy objectives across 41 bureaus and offices, 191 countries, and over 270 diplomatic posts.

In 2025, the Department enhanced consular efficiency with the opening of new passport agencies, leveraged technology to complete operational improvements, advanced IT modernization through AI and Zero Trust cybersecurity principles, and completed a comprehensive review of contracts and grants projected to produce $322.2 million in savings in 2026.

Results Analysis: The Department monitors passport processing time data to ensure U.S. citizens receive accurate information about service timeframes. This key performance indicator monitors and ensures that the Department meets and exceeds the service commitments of processing passport applications in under 11 weeks for routine requests and under six weeks for expedited requests. The performance results show that the Department successfully processed all passport applications within the planned timeframe, despite receiving a record-breaking number of applications. New process efficiencies allowed the Department to exceed the targets. The public service commitments are published on *travel.state.gov*.

Table 5. Key Performance Indicator: Administration of Foreign Affairs

Key Performance Indicator Title	2023 Actual	2024 Target	2024 Actual	2025 Target
Percent of passports processed under 11 weeks for routine and six weeks for expedited service.	Routine: 89.78% Expedited: 86.55%	Routine: 99% Expedited: 99%	Routine: 100% Expedited: 100%	Routine: 99% Expedited: 99%
Number of Chief of Missions and their Deputies person-hours trained in data literacy.	n/a	120	268	120
Percent of FISMA* systems with a current Authorization to Operate.	n/a	90%	93%	90%

*FISMA (Federal Information Security Modernization Act) defines a framework of guidelines and security standards to protect government information and operations.

The Department has made significant strides in its use of data and AI. By prioritizing workforce training and advancing data and AI literacy and tools it has exceeded performance targets. These efforts aim to enhance knowledge transfer across diplomatic posts and reduce administrative burdens on domestic and overseas professionals, allowing personnel to focus on higher-value work.

Enterprise-wide collaboration and dedicated attention to Zero Trust principles and practices enabled the Department to implement a risk-based approach to system security that helps ensure the protection of critical resources and sensitive information.

International Organizations and Commissions

In response to executive orders, the Department reviewed its involvement with international organizations and identified those that are contrary to the Department's interests and priorities. The 2026 request proposed a 91 percent reduction (-$2.5 billion) in direct appropriations for the accounts designated to fund assessed contributions to international organizations and for peacekeeping activities. This reduction reflects a strategic change, focusing the remaining funding on select organizations that align with the Administration's priorities. The Department's 2025 position additionally reflects significant shifts in U.S. engagements in international organizations and focuses on balancing fiscal constraints with maintaining strategic international partnerships. To ensure that every tax dollar aligns with the policies and priorities of the Administration, the Department has focused payments on the specific international organizations that make America safer and more secure.

In 2025, U.S. contributions to certain international organizations and commissions promoted American and global security, including nuclear security through the International Atomic Energy Agency and collective defense via North Atlantic Treaty Organization (NATO); enhanced safety and standards in aviation, telecommunications, and maritime sectors; and sustainable fisheries management. Opportunities for reform under Executive Order 14199 will further prioritize resources towards organizations that advance American interests, while pursuing reform to improve efficiency and reverse malign influences.

Treaty-based bilateral commissions with Mexico and Canada help secure the U.S. border and advance shared economic interests. The International Boundary Commission and International Joint Commission manage boundary demarcation and water management across our northern border. The U.S. section of the International Boundary and Water Commission (IBWC) enhances cooperation with Mexico on water management and safety, from Texas to California. Its current largest project is the rehabilitation and expansion of the South Bay International Wastewater Treatment Plant, mitigating polluted wastewater flowing from Tijuana towards San Diego, California.

Result Analysis: In 2014, NATO Allies committed to spend two percent of Gross Domestic Product (GDP) on defense in accordance with Article 3 of the North Atlantic Treaty. In 2024, 18 Allies spent two percent or more, with the non-U.S. average at 1.99 percent of GDP. In 2025, all Allies are expected to be at or above two percent. At the June 2025 NATO Summit in The Hague, Allies also agreed on a new spending commitment of five percent of GDP, composed of two parts: at least 3.5 percent on core defense spending (using the existing definition) and up to 1.5 percent on "defense and security related" expenditures, which capture spending that supports deterrence and defense but is outside the traditional definition, such as protecting critical infrastructure and non-military cyber capabilities. The Hague Defense Commitment requires Allies to meet these spending levels by 2035. By funding U.S. contributions to NATO, the U.S. benefits from the Alliance's collective defense and Article 5 commitment to make Americans safer and more secure, while at the same time ensuring Allies take on more of the burden of their own defense and prevent threats from reaching the American homeland.

Related Programs and Special Trust Funds

In 2025, the Department shifted its support for external organizations funded through trust funds and related programs, to reprioritize resources for core American interests and encourage these organizations to reduce dependency on direct appropriations. The Administration's 2026 request further reflects this approach by requiring no new appropriations for these activities. These programs will leverage non-governmental contributions to continue their programs and operations.

Table 6. Key Performance Indicator: International Organizations and Commissions

Key Performance Indicator Title	2023 Actual	2024 Target	2024 Actual	2025 Target
Non-U.S. NATO Allies defense spending (as a share of real GDP)	1.74%	2%	1.99%	2%

Agency Priority Goals

In conjunction with the release of the Strategic Plan, the Department will establish new performance goals, including two-year APGs, to be published with the 2027 APP.

APGs are a performance accountability component of the GPRA Modernization Act of 2010. APGs are specific, implementation-focused goals that identify tangible, near-term results that leadership wants to accomplish within 24 months. The Department is in the process of developing the 2026-2027 APGs that will be published in Spring 2026. Prior reporting on APGs can be found on the *Performance.gov* website.

Program and Project Design, Monitoring, and Evaluation Policy

The Department uses data and evidence to ensure we are using best practices in program and project design, monitoring, evaluation, and data analysis to achieve U.S. foreign policy outcomes with accountability to the American people.

The program design process articulates how the Department plans to achieve goals for a sector, region, or country and the performance management process enables the Department to assess the extent to which program's initiatives are achieving intended outcomes. The Department's Program and Project Design, Monitoring, and Evaluation Policy details how to implement these principles. The implementation helps the Department understand what is working and what may be changed to achieve more effective outcomes. The Department's policy aligns key programs and projects to goals, objectives, monitoring and evaluation plans, and directs all bureaus and independent offices to conduct evaluations and use evaluation findings for decision-making.

The Department's Program Design and Performance Management Toolkit facilitates implementation of these performance principles. Both the policy and the Toolkit were updated in 2025 to align with OMB guidance from the Foundations of Evidence Based Policy Making Act of 2018 and to integrate audit recommendations and findings from the Office of Inspector General (OIG) and the U.S. Government Accountability Office (GAO). The Department continuously revises the policy as new Executive Orders, laws, and directives are issued.

As the Department absorbs some foreign assistance programming from USAID, it will review and integrate, as appropriate, foreign assistance design, monitoring, and evaluation resources, training, and other mechanisms to strengthen monitoring and evaluation capacity in the Department.

Maximizing America's Investment Through Analysis and Evidence

Evidence and Evaluation

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 monitoring and evaluation requirements, and maintaining a central database to manage and share evaluations.

In 2025, the Department performed major updates to the Foreign Affairs Manual Policy on Program and Project Design, Monitoring, and Evaluation (18 FAM 300) that guides these activities; updated the Strategic Planning and Performance Management, Managing Program Evaluations, and Managing Foreign Assistance Awards training courses; and introduced a new policy on AI along with the Department's own internal AI tool, StateChat. Through these efforts and more, the Department continues 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.

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

Since the passage of the Foundations for Evidence-Based Policymaking Act (Evidence Act; Public Law No. 115- 435) in 2018, the Department has continued to engage with leadership, performance, and evaluation professionals across the organization and with external stakeholders to implement this groundbreaking legislation. The Evidence Act advances evidence-building in the Federal Government by improving access to data and expanding research and evaluation capacity.

In 2025, the Department conducted three sessions of the Managing Program Evaluations course to provide bureaus with essential tools for evaluating their programs. In response to the transition toward a consolidated Evidence Plan, the Department developed new guidance to align with this shift. The Evidence Plan integrates components of the Learning Agenda and the Annual Evaluation Plan, with a particular focus on linking these efforts to Administration priorities. Additionally, the Department annually surveys bureaus' progress in evaluation activities, using the results to draft the Annual Evaluation Plan. The

Department's Performance Improvement Officer, Director of Foreign Assistance, Chief Data Officer, Statistical Official, and co-Evaluation Officers worked closely on Evidence Act implementation through regular consultations and progress reviews.

In 2025, the Department conducted the Capacity Assessment that analyzed the Department's capacity to generate and apply evidence through performance monitoring, evaluation, and research and analysis activities via a targeted survey and series of focus groups. The Department will publish the assessment in 2026.

The Department has also made significant strides in executing 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 and increase data literacy at all levels within the existing workforce. In addition to a suite of data science and data literacy training courses, the Department incorporated data literacy training into Foreign Service Officer tradecraft courses and the Ambassador and Deputy Chief of Mission training courses.

Financial Summary and Highlights

The financial summary and highlights provide an integrated overview of the 2025 financial statements of the Department. An independent auditor, Kearney & Company, audited the Department's Consolidated Balance Sheet for the fiscal year ending September 30, 2025, along with the Consolidated Statements of Net Cost and Changes in Net Position, and the Combined Statement of Budgetary Resources[1]. The Department received an unmodified ("clean") audit opinion on its 2025 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 7*. The complete financial statements, including the independent auditor's reports, notes, and Required Supplementary Information, are presented in *Section II: Financial Section*.

Table 7. Summary of Key Financial Measures (*dollars in billions*)

Summary Consolidated Balance Sheet Data		**2025**	**% of Total**
Fund Balance with Treasury	$	69.6	54%
Investments, Net		22.9	17%
General Property and Equipment, Net		34.9	27%
Cash, Advances, Receivables, and Other Assets		2.2	2%
Total Assets	**$**	**129.6**	**100%**
Accounts Payable	$	2.4	2%
Federal Employee Salary, Leave, and Benefits Payable & Pension and Post-Employment Benefits Payable		38.9	30%
International Organizations Liability		5.0	4%
Lease Liability		2.9	2%
Other Liabilities		2.0	2%
Total Liabilities	**$**	**51.2**	**40%**
Unexpended Appropriations	$	48.3	37%
Cumulative Results of Operations		30.1	23%
Total Net Position	**$**	**78.4**	**60%**
Total Liabilities and Net Position	**$**	**129.6**	**100%**
Summary Consolidated Statement of Net Cost Data			
Total Gross Costs	$	41.9	133%
Total Earned Revenue		(10.5)	(33%)
Total Net Cost of Operations	**$**	**31.4**	**100%**
Summary Combined Statement of Budgetary Resources Data			
Unobligated Balance from Prior Year Budget Authority, Net	$	32.7	41%
Appropriations		38.3	48%
Spending Authority from Offsetting Collections		8.8	11%
Total Budgetary Resources	**$**	**79.8**	**100%**

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

The Department prepared its financial statements pursuant to the Chief Financial Officers (CFO) Act of 1990, the Government Management Reform Act of 1994, and the Accountability of Tax Dollars Act of 2002, 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). The updated A-136 clarifies and streamlines reporting requirements and includes the single-year presentation format from OMB Memorandum M-25-30 (June 23, 2025). To aid public and congressional interest, and assist with the preparation of the 2025 Financial Report of the U.S. Government, this summary includes a streamlined discussion of significant changes and trends.

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

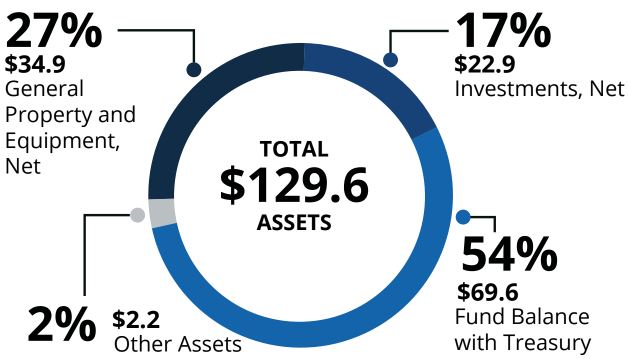
- Balance Sheet: Overview of Financial Position,
- Statement of Net Cost: Yearly Results of Operations
- Statement of Changes in Net Position: Cumulative Overview,
- Combined Statement of Budgetary Resources, and
- Limitations of the Financial Statements.

Balance Sheet: Overview of Financial Position

The Balance Sheet provides a snapshot of the Department's financial position. It displays 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, 2025, the Department's total assets were $129.6 billion. *Figure 2* summarizes the total assets as of September 30, 2025. At $69.6 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 $34.9 billion (27 percent) at year-end. The next largest asset category, Investments, Net, had a balance of $22.9 billion (17 percent). 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. Together, these asset classes combined to account for 98 percent of the Department's total assets.

Figure 2. Assets by Type 2025 *(dollars in billions)*



The Department's total assets increased by $2.4 billion, or 2 percent, from the prior year. This increase was principally the result of a $1.7 billion (3 percent) FBWT increase, along with a $1.2 billion (4 percent) increase in General Property and Equipment, Net. Construction-in-progress and the completion of new buildings and improvements accounted for most of this increase, with the largest embassy and other real property projects accounting for $750 million of the property additions, as detailed in Table 8.

The Department's controls exhibited challenges related to accounting for property and equipment in a complete, accurate, and timely manner. This significant deficiency impacts construction-in-progress, internal use software, and others.

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 Sheet.[2] Federal accounting standards attempt to match costs to accomplishments 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. Their maintenance costs are also expensed as incurred. All embassies and other real properties on the Secretary of State's Register of Culturally Significant Property, however, do appear as assets on the Balance Sheet, since they are used in day-to-day operations.

Table 8. Real Property Projects – 2025 Capitalized Activity *(dollars in millions)*

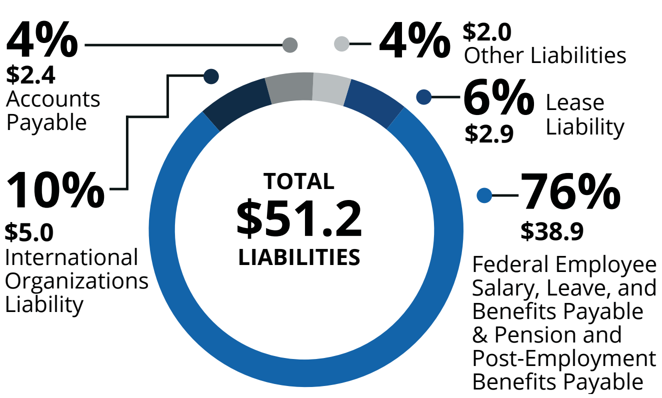
Project Name	Geographical Region	Amount
Riyadh, Saudi Arabia	Near East	$ 123
Bangkok, Thailand	East Asia and the Pacific	116
Erbil, Iraq	Near East	93
Lilongwe, Malawi	Sub-Saharan Africa	93
New Delhi, India	South and Central Asia	87
Doha, Qatar	Near East	81
Lagos, Nigeria	Sub-Saharan Africa	80
Beirut, Lebanon	Near East	77
TOTAL		**$ 750**

Liabilities. The Department's total liabilities were $51.2 billion as of September 30, 2025. Figure 3

[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).

summarizes the total liabilities as of September 30, 2025. The Department's largest component of total liabilities was Federal Employee Salary, Leave, and Benefits Payable and the Pension and Post-Employment Benefits Payable ($38.9 billion, or 76 percent of the total liabilities). The Pension and Post-Employment Benefits Payable is reviewed by the Department's actuary and adjusted annually for changes in estimated pension expenses. This was followed by the Department's liabilities for international organizations ($5.0 billion, 10 percent) and for leases ($2.9 billion, 6 percent). In accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 54, Department leases are recognized as right-to-use lease assets and the associated lease liabilities on the Balance Sheet.

Figure 3. Liabilities by Type 2025 *(dollars in billions)*



The Department's total liabilities increased by $3.1 billion, or 6 percent, from the prior year. This increase was principally the result of the International Organizations Liability, which increased by $1.4 billion, 39 percent, from the prior year. This was principally due to the issuance of Executive Orders 14169, Reevaluating and Realigning United States Foreign Aid, and 14199, Withdrawing the United States From and Ending Funding to Certain United Nations Organizations and Reviewing United States Support to All International Organizations. In addition, the Department witnessed a $1.5 billion, or 4 percent, increase in the Federal Employee Salary, Leave, and Benefits Payable and the Pension and Post-Employment Benefits Payable. The increase to the pension liability over this period reflects multiple factors such as changes in the actuarial and economic assumptions such as current pay, employee work location (domestic or overseas), cost of living factors, Federal pay increases, 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.

Ending Net Position. The Department's Net Position, composed of Unexpended Appropriations and the Cumulative Results of Operations, totaled $78.4 billion as of September 30, 2025. For more detail, see *Statement of Changes in Net Position: Cumulative Overview*.

Statement of Net Cost: Yearly Results of Operations

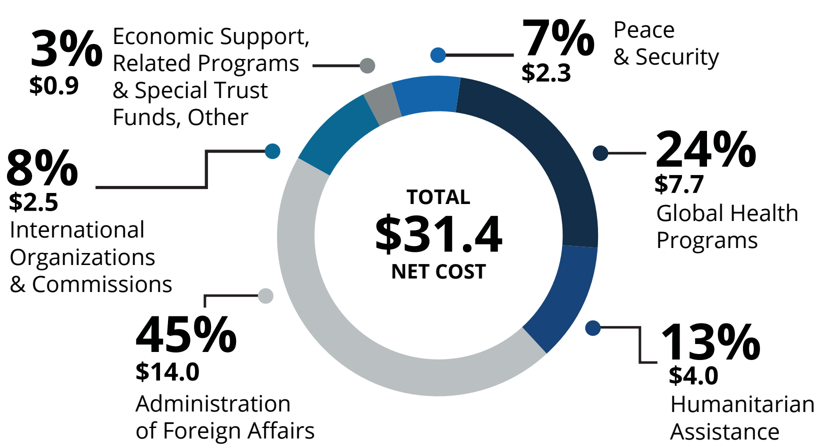
The Statement of Net Cost presents the cost of operating the Department's programs. Net cost is the sum of gross program costs incurred less any related earned revenues. Costs are reported at "full cost," which includes the imputed cost of goods and services provided by other entities. The total net cost of operations in 2025 was $31.4 billion.

This year's Statement of Net Cost presentation shows operational costs by the Department's major programmatic themes. As the 2026-2030 Strategic Plan is currently under development, a breakdown by programs, rather than strategic goals, was considered more instructive. This presentation aligns with the Government Performance and Results Act (GPRA) of 1993, as updated by the GPRA Modernization Act of 2010.

Figure 4 illustrates the 2025 results of operations by major program. As shown, net costs associated with two programs (Administration of Foreign Affairs and Global Health) represented the largest share of the Department's net costs – a combined $21.7 billion (69 percent). The Administration of Foreign Affairs costs ($14.0 billion, 45 percent) relate to diplomatic programs, consular and border security, information technology, funding to the FSRDF, and others. The Global Health Programs costs ($7.7 billion, 24 percent) resulted principally from costs for the prevention, treatment, control of, and research on HIV/AIDS, tuberculosis, malaria, and other infectious diseases.

The Department's Humanitarian Assistance ($4.0 billion, 13 percent), International Organizations and Commissions ($2.5 billion, 8 percent), and Peace and Security ($2.3 billion, 7 percent) programs represented the

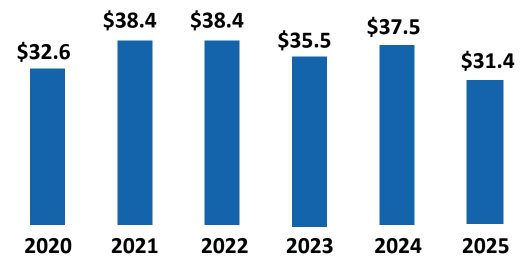
Figure 4. Net Cost of Operations by Major Program 2025 *(dollars in billions)*



next largest programs, as measured by net cost. The Humanitarian Assistance resulted principally from support for global humanitarian responses, famine prevention, and migration and refugee assistance program costs. The International Organizations and Commissions relate to expenditures for dues to certain international organizations. In 2025, the Administration reviewed U.S. support to all international organizations, consistent with the Executive Order 14199. The Peace and Security costs are focused on embassy security and maintenance, and other programs enabling the protection of Americans overseas. At a combined net cost of $0.9 billion, all other programs (Economic Support, Related Programs and Special Trust Funds) and the actuarial loss on pension assumption changes represented 3 percent of total net costs.

In accordance with SFFAS No. 64, the Department's net cost of operations trend is presented in *Figure 5*. As shown, there was a net decrease of $5.9 billion (16 percent) from last year and an overall $1.0 billion (3 percent) decline between 2020 to 2025. The decreases over this period generally reflect significant 2025 initiatives to streamline processes, strengthen America's diplomatic operations, and ensure that resources are directed towards the highest priority initiatives.

Figure 5. Trend in Net Cost of Operations (2020-2025) ***(dollars in billions)***

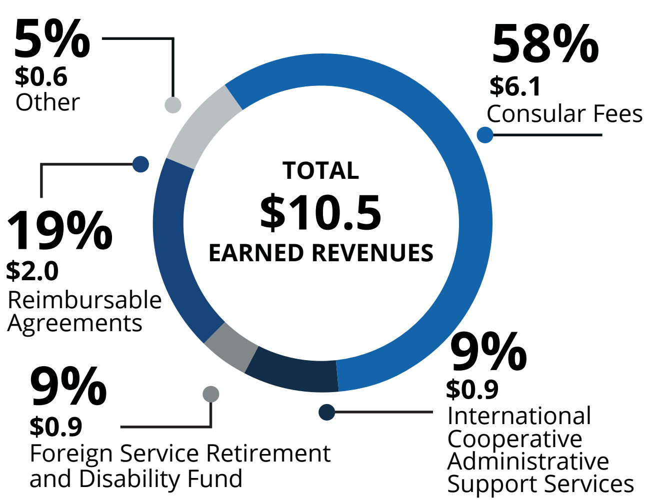


Earned Revenues

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 International Cooperative Administrative Support Services (ICASS) billings and Working Capital Fund earnings.

Earned revenues totaled $10.5 billion in 2025 and the funding sources are depicted in *Figure 6*. The Department's primary sources of 2025 revenue were from consular fees ($6.1 billion or 58 percent), reimbursable agreements ($2.0 billion or 19 percent), and ICASS earnings ($0.9 billion or 9 percent). These programs combined for $9.0 billion, or 86 percent, of the total earned revenue.

Figure 6. Earned Revenues by Program Source 2025 *(dollars in billions)*



Statement of Changes in Net Position: Cumulative Overview

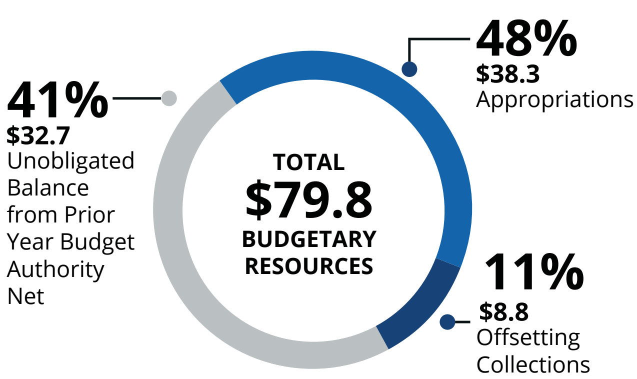
The Statement of Changes in Net Position identifies all financing sources available to, or used by, the Department to support its net cost of operations and the net change in its financial position. The financing sources include appropriations received, imputed financing, and others. The sum of two main 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 this Statement, the net position of funds from dedicated collections is presented separately from all other funds.

The Department's Net Position at the end of 2025, shown on both the Balance Sheet and the Statement of Changes in Net Position, was $78.4 billion. Net Position is made up of $48.3 billion from Unexpended Appropriations (no change from 2024) combined with $30.1 billion in Cumulative Results of Operations (a $0.7 billion decrease), combining for a $0.7 billion decrease from the prior year.

Combined Statement of Budgetary Resources

The Combined Statement of Budgetary Resources details how the Department obtained its budgetary resources and the status of these resources at the fiscal year-end. As shown in *Figure 7*, the Department's $79.8 billion in budgetary resources as of September 30, 2025 consisted primarily of appropriations designated by Congress for the Department's mission ($38.3 billion, 48 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 activities. Additional budgetary resources included spending authority from offsetting collections ($8.8 billion, 11 percent) — which was primarily composed of revenue earned and collected from consular service fees — and unobligated balances brought forward from prior years' appropriations ($32.7 billion, 41 percent). Total budgetary resources declined $7.4 billion (8 percent) from the prior fiscal year. The change is primarily a result of current year budgetary rescissions.[3]

Figure 7. Budgetary Resources 2025
(dollars in billions)



Appropriated funds are sometimes required to be transferred to other agencies for programmatic execution (referred to as "child funds"). At times, the Department faces challenges associated with the transaction-level details from the agencies. This risk was assessed as a significant deficiency.

At the close of the fiscal year, the Department used $44.6 billion in new obligations and upward adjustments plus a $35.2 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. For a detailed description of the Department's 2025 appropriations and other budgetary resources, see *The Department's Budgetary Position*.

[3] A rescission refers to the cancellation of budget authority that has been previously appropriated, but not yet obligated. The Federal rescission process is governed by the Impoundment Control Act of 1974.

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.

The Department's spending is transparent to the public on the *USAspending* website. This searchable, transparent data source provides information about the Department's Federal awards via contracts, grants, and loans, and may be viewed by entity, year, and other elements.

On March 15, 2025, Congress enacted, and the President signed into law the 2025 Full-Year Continuing Appropriations and Extensions Act (Public Law No. 119-4), which appropriated $56.6 billion (net of rescissions) to the Department of State and USAID. In addition, the American Relief Act, 2025 (Public Law No. 118-158), enacted in December 2024, appropriated a $250 million supplemental for the IBWC. The Department received about $16 billion in non-appropriated revenues from internal and external collections, including consular fees. The Department also received $160 million in mandatory appropriations: $100 million provided through the International Technology Security and Innovation (ITSI) Fund (Public Law No. 117-167) and $60 million for the FSRDF. In addition, a net $29 billion remained available from 2024 and prior years.

On March 24, 2025, the President issued a memorandum in accordance with section 1110 of the Full-Year Continuing Appropriations and Extensions Act, 2025 (H.R. 1968; the "Act") and the Balanced Budget and Emergency Deficit Control Act of 1985, that excluded $2.5 billion in foreign assistance funds from emergency designation. This reduced the 2025 enacted level for total foreign assistance and diplomatic engagement from $56.6 billion to $54.1 billion.

On July 17, 2025, Congress enacted, and the President signed into law the Rescissions Act of 2025 (Public Law No. 119-28) which rescinded a total of $7.7 billion of foreign assistance and diplomatic engagement funds. This reduced the 2025 level for total foreign assistance and diplomatic engagement to $46.3 billion.

On August 28, 2025, the President submitted a second Impoundment Control Act (ICA) Rescission to rescind $1.2 billion of 2025 foreign assistance and diplomatic engagement funds. This further reduced the 2025 level available for total foreign assistance and diplomatic engagement to $45.1 billion. Those funds were withheld from obligation consistent with the ICA and expired at the end of 2025.

This report generally separates out foreign assistance by accounts traditionally appropriated to the Department of State and those to USAID. With the reorganization of the Department in July 2025 and the incorporation of management of several USAID-appropriated accounts, future Department of State AFRs will include more details on foreign assistance and operating accounts traditionally appropriated to USAID.

The Bureau of Budget and Planning manages the Diplomatic Engagement portion of the 2025 budget: $14.7 billion in new fiscal year appropriated budget authority (net of rescissions and including the $250 million supplemental for IBWC), $14 billion in other revenue, and $16 billion in prior year funding that remained available for obligation in 2025.

The 2025 Diplomatic Engagement budget and prior year supplementals funded the Administration's foreign policy priorities, including:

- The Department's domestic and overseas operations, covering over 90 percent of the workforce and protection of the Department's people, property, and data.
- Strengthen U.S. leadership in multilateral institutions to promote peace, sovereignty, security, effective reforms while refocusing these organizations on their core mission of fostering global stability.
- Advance the Department's border security mission through issuing passports, visas, and other services to promote the welfare of American citizens at home and abroad.
- Strengthen legal migration pathways through rigorous visa process vetting, safeguards the integrity of U.S. borders, and enhances passport services.
- Safeguarding communities on our southern and northern border through treaty-based bilateral commissions with Mexico and Canada.

The total amount in new fiscal year appropriated budget authority for foreign assistance available from the 2025 enacted was $30.6 billion (net of rescissions). The Under Secretary for Foreign Assistance, Humanitarian Affairs, and Religious Freedom manages the Foreign Assistance portion of the 2025 budget for the Department of State: $16.8 billion in new fiscal year appropriated budget authority (net of rescissions), and $9.8 billion in prior year funding that remained available for obligation in 2025. The foreign assistance portion of the 2025 budget for USAID was $13.8 billion (net of rescissions).

The 2025 foreign assistance budget funds the Administration's highest foreign policy priorities, including to:

- Build focused bilateral partnerships that ensure every foreign assistance dollar spent advances American diplomatic and national security objectives with efficiency, accountability, and strategic clarity.
- Orient foreign assistance programs towards the goal of self-sufficiency for recipient nations, breaking cycles of dependency by choosing investments that support enduring stability.
- Respond pragmatically to intensifying strategic competition by working with other states to achieve interest-driven, mutually beneficial results while also pursuing fairer burden sharing with other donors.
- Leverage the power of commercial diplomacy to open global markets for US companies, fueling private sector dynamism and advancing US economic competitiveness.
- Advance the President's vision for peace and stability in the Middle East, including by supporting the Abraham Accords and continuing robust security assistance for key countries including Israel and Jordan.

Budgetary Position for Diplomatic Engagement

Net 2025 funding enacted for Diplomatic Engagement totaled $14.7 billion, including rescissions included in the 2025 Act or implemented under the Impoundment Control Act. These net positions include: $9.4 billion in Diplomatic Programs (DP), including Worldwide Security Protection; $389.0 million in the Capital Investment Fund; $1.7 billion for Embassy Security, Construction, and Maintenance (ESCM); $821.1 million in Contributions to International Organizations; and $480.4 million in Contributions for International Peacekeeping Activities (CIPA). The 2025 American Relief Act (Public Law No. 118-158) appropriated $250 million for the International Boundary and Water Commission – Construction account to upgrade the South Bay International Wastewater Treatment Plant.

The Diplomatic Engagement funding included $60 million in mandatory appropriations for the Foreign Service Retirement and Disability Fund, as well as $16.3 million of the $100 million ITSI Fund mandatory appropriation.

The Department received $14 billion in reimbursements, fee revenue and proceeds of sale, including $1.2 billion for Diplomatic Programs, $1.4 billion in ESCM, $1.9 billion in the Working Capital Fund (WCF) and $3.5 billion in ICASS.

The Consular and Border Security Programs (CBSP) account collected $5.9 billion from consular revenues, including fees for visa, passports, and American citizen services. Under current law, $5.5 billion of this amount was available for obligation towards consular services.

In 2025, Congress rescinded $224.0 million in ESCM prior-year funding and $375.0 million in prior-year CBSP revenue, which have been deducted from the new budget authority estimates above.

In addition to new 2025 funding, $16 billion in prior year Diplomatic Engagement funding remained available for obligation in 2025. This included $1.3 million in DP balances, $7.7 billion in ESCM balances, $203.3 million in balances from CIPA, $2.1 billion non-appropriated retained fee revenue balances for CBSP, $350 million in WCF balances, and $1.2 billion in ICASS balances. The Buying Power Maintenance Account closed 2025 with a balance of $99.5 million.

In addition, the Rescissions Act of 2025 rescinded $563 million of diplomatic engagement funds. This reduced the 2025 level for total diplomatic engagement to $15.6 billion.

On August 28, 2025, the President submitted a second ICA Rescission to rescind $913 million in Diplomatic Engagement funds. This would further reduce the 2025 level for total Diplomatic Engagement to $14.7 billion. Those funds were withheld from obligation consistent with the ICA and expired at the end of 2025.

Budgetary Position for Foreign Assistance

For 2025, foreign assistance funding for the Department of State totaled $16.8 billion, (net of rescissions) provided through these appropriations laws: $18.6 billion in the Full-Year Continuing Appropriations and Extensions Act, 2025 (Title XII, Public Law No. 119-4), excluding funds not designated as emergency by the President, less $1.3 billion in the Rescissions Act of 2025 (Public Law No. 119-28).

On August 28, 2025, the President submitted a second ICA Rescission of $326.2 million in foreign assistance funds. This further reduced the 2025 level available for State foreign assistance to $16.8 billion. Those funds were withheld from obligation consistent with the ICA and expired at the end of 2025.

As of November 2024, the carryover of unobligated 2024 foreign assistance balances into 2025 totaled $9.8 billion.

For 2025, foreign assistance funding appropriated to USAID totaled $13.8 billion (net of rescissions) provided through these appropriations laws: $19.6 billion in the

Full-Year Continuing Appropriations and Extensions Act, 2025, (Title XII, Public Law No. 119-4), excluding funds not designated as emergency by the President, less $5.8 billion in the Rescissions Act of 2025 (Public Law No. 119-28).

As of November 2024, the carryover of unobligated 2024 USAID appropriated foreign assistance balances into 2025 totaled $22.1 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 $8.5 billion security assistance total provided by Congress in 2025, $8.5 billion (net of rescissions) is from Full-Year Continuing Appropriations and Extensions Act, 2025, (Title XII, Public Law No. 119-4)

The 2025 Democracy Fund account totaled $262.2 million (net of rescissions). This account supports democracy promotion programs overseas including fostering cooperation between United States private sector groups with those abroad dedicated to the cultural values, institutions, and organizations of democratic pluralism.

In 2025, the portion of the Global Health Programs appropriation managed by the Department of State totaled $6.0 billion. This is the primary source of funding for PEPFAR. 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.

In 2025, the portion of humanitarian assistance managed by the Department of State through the Migration and Refugee Assistance and U.S. Emergency Refugee and Migration Assistance accounts totaled $2.5 billion (net of rescissions). 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.

Events and Trends Affecting Financial Position

In 2025, the Department of State continued to implement significant organizational changes to enhance the efficiency, coherence, and strategic alignment of U.S. foreign policy and development efforts. Notably, the integration of select operational functions of USAID into the Department occurred concurrently with broader reform objectives. While this increased the complexity of budget execution, it will yield long-term gains in interagency coordination, reduce duplicative administrative structures, and enhance delivery of foreign assistance in support of national priorities.

In accordance with Executive Order 14169, "Reevaluating and Realigning United States Foreign Aid," the Department completed a comprehensive review and realignment of foreign assistance programs to ensure that lifesaving and humanitarian activities continued while resources were more effectively directed toward advancing U.S. national interests. In parallel, Executive Order 14199, "Withdrawing the United States from and Ending Funding to Certain United Nations Organizations and Reviewing United States Support for All International Organizations," and Executive Order 14155, "Withdrawing the United States from the World Health Organization," directed a review of U.S. participation in international organizations, resulting in more targeted funding to programs that directly support U.S. diplomatic and security objectives. These actions strengthened the Department's financial and operational posture by streamlining assistance delivery, reducing duplication, and improving oversight of multilateral commitments.

The Department's management is monitoring the financial implications of these reforms and is committed to executing all changes in a fiscally responsible and transparent manner consistent with statutory and regulatory requirements. The Department also continues to assess risks associated with implementing organizational transitions and managing evolving foreign assistance and international engagement portfolios, while ensuring continuity in essential national security functions.

Limitations of the Financial Statements

The financial statements are prepared 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.

Analysis of Systems, Controls, and Legal Compliance

Management Assurances

The Department's Management control policy is comprehensive and requires all Department leaders and 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, including conducting an annual evaluation through the Statement of Assurance process.

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 controls 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 controls in accordance with OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. Based on this assessment, the Department can provide reasonable assurance that internal controls over operations, reporting, and compliance were operating effectively as of September 30, 2025.

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires agencies to implement and maintain financial management systems that substantially comply with Federal financial management system requirements, accounting standards, and the U.S. Standard General Ledger at the transaction level. The Department evaluated its financial management systems for FFMIA compliance. Based on the results of this evaluation, the Department can provide reasonable assurance that its financial management systems substantially comply as of September 30, 2025.

As a result of its inherent limitations, internal controls over financial reporting, no matter how well-designed, provide only reasonable assurance, and cannot provide absolute assurance of achieving financial reporting objectives and may not prevent or detect misstatements. 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.

Marco Rubio
Secretary of State
December 18, 2025

Departmental Governance

The Department of State is committed to maintaining strong internal controls and ensuring compliance with Federal requirements for financial management and reporting. The Federal Managers' Financial Integrity Act (FMFIA) provides the foundation for this effort, requiring agencies to establish and maintain effective internal control systems. The U.S. Government Accountability Office (GAO) outlines these standards in the *Standards for Internal Control in the Federal Government* (commonly referred to as the Green Book).

The Green Book defines internal, or management, controls as a process carried out by an entity's oversight body, management, and personnel to provide reasonable assurance that objectives are achieved. These objectives fall into three categories:

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

To support these objectives, the Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, provides Federal managers with guidance on improving accountability and program effectiveness. Circular A-123 emphasizes risk management, internal control assessments, and corrective actions, and it implements the requirements of FMFIA and the Green Book.

The Department's compliance with FMFIA is reflected in the Secretary of State's 2025 *Statement of Assurance for FMFIA and FFMIA*, in the *Management's Discussion & Analysis*. Additionally, a *Summary of Financial Statement Audits and Management Assurances* section, is provided in the *Other Information* section.

Management Control Program

The Department's management controls program ensures compliance with the goals, objectives, and requirements of the FMFIA. Using a risk-based approach, the Department effectively evaluates entity-level controls through testing, risk assessments, control activities, and monitoring. In 2025, the Department's evaluation determined that all components related to the Green Book's 17 principles operated effectively, supporting an unmodified Statement of Assurance. While the Circular A-123 Appendix A assessment did not identify any material weaknesses in the design or operation of internal control over reporting, it did highlight several significant deficiencies. These deficiencies, consistent with the independent auditor's report, will remain a focus for management in 2026.

The Secretary's annual Statement of Assurance (SoA) is informed by individual assessments submitted by domestic Assistant Secretaries and overseas Chiefs of Mission and reviewed by the Management Controls Steering Committee made up of senior Department managers. These statements draw on managers' operational knowledge, management evaluations, and a data-driven checklist. Reviews conducted by the Office of Inspector General (OIG) and the GAO further ensure a comprehensive evaluation of the Department's internal controls.

In 2025, the Department leveraged automation to enhance the efficiency and transparency of the SoA process. A data-driven checklist streamlined attestations and provided evidence-based support for SoA Assistant Secretaries and Chiefs of Mission. The Department's Statement of Assurance Process application (SoAP) fully automates the SoA process. SoAP reduced the time required to complete checklists, improved the user experience, and enabled electronic submission, issue tracking, and document preparation. Its advanced reporting capabilities increased transparency by allowing personnel to view and sort unclassified issues by category, bureau, and other criteria. These efforts reflect the Department's commitment to strengthening management controls and financial reporting, with additional enhancements planned for 2026.

Figure 8. FMFIA Annual Assurance Process

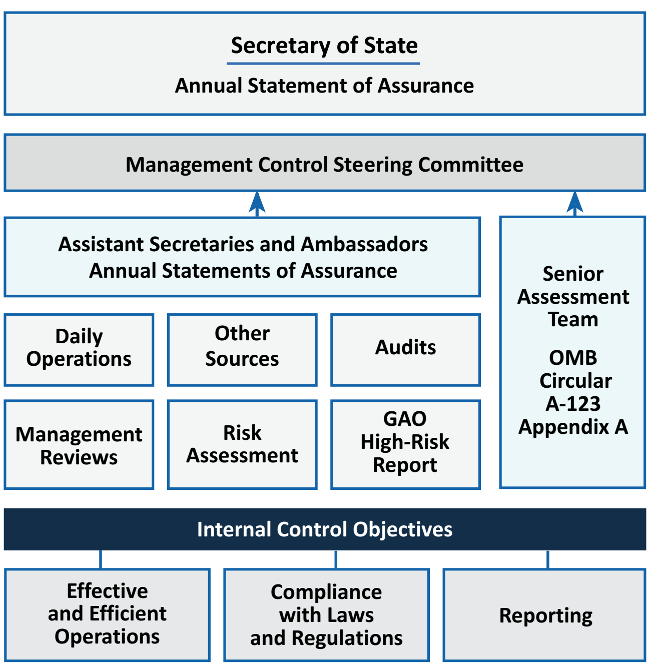


Figure 8 long description.

Figure 9. A-123, Appendix A Process

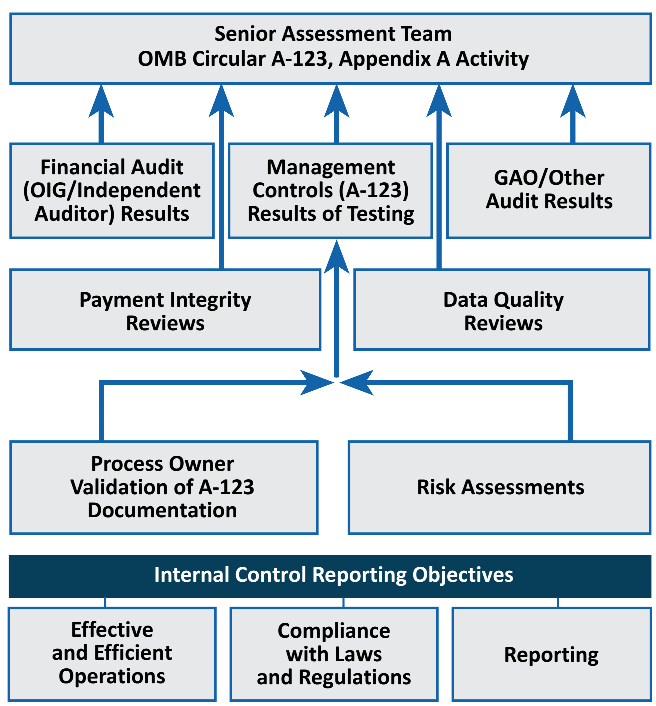


Figure 9 long description.

Federal Financial Management Improvement Act

The Federal Financial Management Improvement Act (FFMIA) aims to enhance Federal financial management by ensuring that financial systems produce timely, accurate, and useful information to support informed decision-making and ongoing accountability.

To assess compliance with FFMIA, the Department follows guidance outlined in OMB Circular A-123, Appendix D, *Management of Financial Management Systems – Risk and Compliance*. This assessment incorporates results from audit reports issued by the OIG and the GAO, annual financial statement audits, and other relevant information. It also relies on evaluations and assurances conducted under FMFIA, with particular attention is given to any material weaknesses or material non-conformances identified during these internal control assessments. The Department remains committed to achieving the objectives of FFMIA and continues to prioritize improvements in financial management systems and processes.

Antideficiency Act

The Antideficiency Act (ADA) prohibits Federal agencies from incurring obligations or making expenditures that exceed or precede appropriations, or from accepting voluntary services. The Department of State manages 530 Treasury Account Fund Symbols annually and operates in a complex global financial environment, processing cash transactions in multiple foreign currencies. To ensure compliance with the ADA, the Department remains committed to strengthening controls and reconciliation efforts around the use of appropriated funds to detect and address potential violations. The Department did not report any ADA violations in 2025.

Debt Collection Improvement Act

Outstanding debt from non-Federal sources (net of allowance) decreased from $118.7 million as of September 30, 2024, to $67.3 million as of September 30, 2025. Direct Loans, IBWC, and Administrative Loans decreased by $3.8 million and Civil Monetary Penalties and Passport non-sufficient funds decreased by $44.8 million as of September 30, 2025, 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 processes collections of delinquent receivables through its cross-servicing agreement with Treasury. In accordance with the agreement and the Debt Collection Improvement Act of 1996 (Public Law No. 104-134), the Department referred $5.6 million to Treasury for cross-servicing in 2025. Of the current and past debts referred to Treasury, $3.1 million was collected in 2025. *Table 9* shows amounts referred and collected.

Table 9. Receivables Referred to the Department of the Treasury for Cross-Servicing

	2025
Number of Accounts	4,230
Amounts Referred *(dollars in millions)*	$ 5.6
Amounts Collected *(dollars in millions)*	$ 3.1

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 2025, the Department timely paid 98.8 percent of the 616,607 payments subject to PPA regulations. Of the $12.3 billion in payments that were subject to PPA, the Department paid $1,368,482 in interest penalties in 2025 compared to $1,063,782 in 2024.

Federal Information Security Modernization Act

The Federal Information Security Modernization Act of 2014 (FISMA) requires federal agencies to implement comprehensive programs to protect government information and systems. In 2025, the Department continued to align its' cybersecurity strategy with Executive Order 14028, focusing on Zero Trust Architecture, incident response, and compliance requirements with multifactor authentication, data protection, and logging requirements. These efforts reflect the Department's commitment to adopting best practices in cybersecurity and promoting transparency with interagency partners.

In 2025, the Department authorized 95 percent of its 362 FISMA systems, including 95 percent of high-impact systems and 91 percent of moderate-impact systems, demonstrating significant progress in securing critical assets. The Department also enhanced its maturity within the National Institute of Standards and Technology (NIST) Cybersecurity Framework functions, with notable improvements in risk management, continuous monitoring, and supply chain security. These advancements strengthen the Department's ability to identify and address vulnerabilities, further enhancing its overall cybersecurity posture.

The Department's 2025 accomplishments underscore its focus on strengthening information security through compliance with federal mandates, modernizing IT systems, and improving incident response capabilities. By prioritizing these efforts, the Department has reinforced its ability to protect sensitive information and critical operations from evolving cyber threats.

By September 30, 2026, the Department will bolster the security and resiliency of its information systems and data by ensuring at least 90 percent compliance with FISMA requirements. This includes conducting annual penetration testing, contingency plan testing, and maintaining current Authorizations to Operate for all FISMA systems. These efforts reflect the Department's dedication to mitigating evolving cyber threats and advancing IT infrastructure to meet modern security standards.

Financial Management Systems Summary

The Department's Financial Management Systems Summary provides a comprehensive overview of current and future resource management systems critical to effective financial management operations, financial reporting, internal controls, and interagency administrative support cost sharing. Further, it presents the Department's financial management systems strategy and continuous efforts to improve financial 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.

The Department's resource management systems strategy is to adopt a Zero Trust architecture to strengthen cybersecurity, modernize the legacy networks and systems, and improve the use of business intelligence and automation. This approach will enhance the workforce, skillsets and business processes and procedures while aligning the Department with OMB's efforts to standardize government-wide business processes to address the Federal Government's long-term need to improve financial management.

To maintain consistency, accountability, and process maturity, the Department's financial systems development operates under the Capability Maturity Model Integration (CMMI) framework. The Department maintains a CMMI Level 2 rating for its financial systems, emphasizing disciplined project management, structured governance, and prioritization of critical system improvements. This approach provides a standardized foundation for evaluating performance, managing risk, and ensuring that modernization activities are executed efficiently and effectively.

The Department's financial management efforts are guided by three overarching goals:

1. Deliver world-class financial services and systems to customers effectively and efficiently.
2. Establish and maintain an accountable and transparent financial reporting, internal control and compliance environment that reflects statutory, administration, and Departmental requirements.
3. Facilitate interagency coordination and liaison activities to support Department operations and deliver effective, consolidated administrative and financial shared services.

The Department's financial management activities span 270 locations in 180 countries, involving transactions in over 135 currencies and languages. To achieve cost savings and improve efficiency, the Department leverages shared services, supporting 45 U.S. Government agencies globally, 24/7. Recent reorganization efforts centralized budget formulation and execution functions from 28 bureaus into the Bureau Financial Support Services Directorate, eliminating redundancies, standardizing processes, and strengthening financial management. This consolidation also supports the integration of USAID's foreign assistance programs into the Department's financial systems.

The Department continues to modernize its systems to meet the OMB Memorandum M-22-09, which requires agencies to adopt Zero Trust cybersecurity principles. Although implementation remains at the domain level as of 2025, ongoing development focuses on reducing vulnerabilities and protecting data integrity. In addition, robotic process automation is being used to improve efficiency and accuracy.

The Department relies on commercial-off-the-shelf (COTS) software for its financial management systems, ensuring compliance, control, and security, while also enabling the Bureau of the Comptroller and Global Financial Services (CGFS) to better meet user requirements through a common platform and architecture. Key systems include: the Global Foreign Affairs Compensation System (GFACS) platform; the core accounting and budget systems, known as the Global Financial Management System (GFMS); the Regional Financial Management System/Momentum (RFMS/M); and the Integrated Budget Intelligence Systems (IBIS). Recent expansions include the Government Time and Attendance (GovTA) platform, which will streamline timekeeping for American and Locally Employed (LE) staff worldwide.

The Department's financial systems ecosystem integrates with over 25 external and internal systems, including Treasury's Central Accounting Reporting System (CARS), Invoice Processing Platform (IPP), Ariba (purchasing), eInvoicing (vouchering), RFMS/C (cashiering), and travel systems such as Carlson Wagonlit's E2 Solutions and the new GO.gov. GO.gov will replace E2 as the single travel and expense management solution for civilian Federal agencies by 2027.

Shared services are further supported by the ICASS system, which provides administrative services at 250 diplomatic and consular posts. ICASS invoices over 300 entities for $3.5 billion annually, with 91 percent of costs tied to overseas services. The Department's Business Intelligence (BI) program, powered by the Global BI Reporting application, enables over 12,000 users to access financial data through standard reports and customized queries. Recent enhancements include AI-supported capabilities and enterprise-grade financial data pipelines in a cloud-based environment to support strategic decision-making.

In 2025, the Department achieved significant milestones across its financial systems programs, including modernizing RFMS/C cashiering, transitioning IBIS functionality, integrating GovTA, and expanding Global BI capabilities. These efforts reflect the Department's commitment to improving efficiency, cybersecurity, and global financial management.

Financial Systems Program

Global Financial Management System and Regional Financial Management System/Momentum. The Department improved the usability for the Acquisitions subsystem and updated to a modern programming structure, ensuring long-term growth and adaptability. This will enable the Department to handle increasing demand effectively and improve system processing times. This strategic upgrade aligns with the organization's goals of enhancing operational performance and future-proofing its technology infrastructure.

The Consolidated Overseas Accountability Support Toolbox (COAST) and RFMS Cashiering. In 2025, the Department successfully completed the implementation of RFMS/C, a centralized, web-based cashiering application. This milestone also marked the full decommissioning of the legacy COAST system and completion of the Global BI implementation for financial and payroll reporting, ensuring a more modern and unified reporting framework.

Planning and Budget Systems

Integrated Budget Intelligence System. During 2025, the Budget System Modernization (BSM) team successfully transitioned functionality from the internally developed Web Resource Allocation and Budget Integration Tool (WebRABIT) into IBIS, centralizing Post budget formulation and execution within the Department's primary budget application. This integration improves data transparency, reduces decision-making lead times and further aligns with the Department's modernization goals. The team also delivered four quarterly operations and maintenance releases, implemented over 50 technical updates, including upgrades to the IBIS Reports System, which modernized both the database and user interface. Key enhancements included Mass Approval, Allotment Creation Flexibilities, and improved Data Calls functionality, which streamlined navigation and optimized user efficiency.

The International Cooperative Administrative Support Services. In 2025, the ICASS invoicing application was transferred to Charleston Operations, enabling operational efficiencies including resource consolidation with the ICASS application, reduced overhead costs, and streamlined support. Several enhancements were made to the ICASS software to improve efficiency and reduce manual data entry. Key updates included an automated import of Prior Year Actuals extracts for all posts directly from the Department's business intelligence solution, improved Memorandum of Understanding details to Trading Partners and improvements to the cost distribution module for proper accounting of cost associated across cost centers of the Furniture and Appliance Pool program.

The ICASS Reform project was launched in 2025 to simplify the ICASS application, reduce effort for service providers and customers, and enhance the resilience of post management platforms amid workforce reductions.

Travel Systems Program

E2 Solutions and GO.gov. In 2025, the Department began its travel management modernization, GO.gov, introduced by the U.S. General Services Administration (GSA) as the replacement of E2. This initial effort included program planning, requirements gathering and testing, system configuration, interface development with financial management systems, and change management activities to support the worldwide implementation planned for the second quarter of 2027.

Compensation Systems Program

The Global Foreign Affairs Compensation System. GFACS 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 2025, development, testing, and implementation continued for two web-based products, 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.

Government Time and Attendance. In 2025, the Department began an integration of the State employees into an electronic time and attendance system, GovTA, which will modernize time and attendance management world-wide. Once implemented, GovTA will serve as the single timekeeping application for all Department users, eliminating the manual timekeeping processes, streamline time and attendance management, and improve data accuracy and reporting. Further, the Department is expecting reductions in administrative burden and Operations and Maintenance costs through the retirement of more than 1,200 WinTA installations overseas, DT WebTATEL and A/GA ETA applications currently used for timekeeping and attendance.

Business Intelligence Program

In 2025, the Department continued to expand the value and reach of Global BI through integration and data sharing partnerships with Data.State and StateInsight, along with the use of Power BI. The launch of the CGFS Portal introduced AI-supported capabilities and enterprise-grade financial data pipelines, enhancing both usability and performance. To support strategic decision-making, the Global BI program delivered AI-enabled visualizations, providing comparative insights based on use cases. The Department's ongoing commitment to accelerating insight delivery, promoting data governance, and empowering users across the enterprise, will be realized in its cloud-based data lake initiative currently in progress. The Department initiative to create a cloud-based data lake is designed to make it easier to share financial management systems data in an efficient and consistent manner across the department.

Financial Systems Reorganization and Consolidation

Standardizing business processes and consolidating GFMS and RFMS/M into a single financial management system remains a strategic goal that is strongly requested by the Department's global user community. Funding constraints that significantly plagued consolidation progress were further realized in 2025 with the expansion of the Department's financial management systems shared services to include USAID under the current reorganization. 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.

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Section II:

Financial Section

Message from the Comptroller

I am honored to present the Department of State's Agency Financial Report (AFR) for Fiscal Year 2025. This report reflects our ongoing commitment to financial stewardship, transparency, and accountability in support of the Department's vital diplomatic mission.

Douglas A. Pitkin, Acting Comptroller

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 diplomacy on a 24/7 basis in over 135 currencies; manage over $79 billion in budgetary resources and $129 billion in assets. This includes more than $34 billion in real and personal property assets with more than 17,000 overseas real property leases, of which nearly 6,000 of which are managed by the Department on behalf of other Federal agencies, in more than 500 separate fiscal accounts.

The Bureau of the Comptroller and Global Financial Services (CGFS) remains focused on advancing financial transparency, strengthening internal controls, and modernizing our financial systems. In 2025, we enhanced our ability to provide timely, accurate, and actionable information to Department leadership and stakeholders through numerous initiatives. As part of the Department's reorganization, additional financial management functions have been consolidated within CGFS to provide partner-driven full life-cycle financial management support services.

To enhance program and financial transparency, CGFS launched StateInsight, a robust, unified platform that serves as the cornerstone for mission-critical decision-making and operations. By consolidating grants, contracts, and interagency agreement data from multiple sources into a single system. StateInsight bridges information silos and streamlines access to essential data. Leveraging AI-powered analytics, this innovative platform delivers comprehensive, real-time visibility into programs and expenditures, empowering decision makers at every level—from program officers to senior executives—to drive more informed, accountable, and effective outcomes.

CGFS is fulfilling the mandates of Executive Order (EO) 14247, "Modernizing Payments to and From America's Bank Account," and EO 14249, "Protecting America's Bank Account Against Fraud, Waste, and Abuse," by eliminating paper check disbursements and receipts while sustaining mission-critical financial functions required for the Department's global presence. In collaboration with Treasury, CGFS has developed a multiphase plan to transition Non-Treasury Disbursing Officer payment activity, complying with EO 14249 while maintaining the Department's ability to process nearly 3 million overseas payments annually across 270 overseas locations, often servicing other agencies' disbursing needs. The transition plan balances modernization with operational continuity, preserving the Department's capacity to meet overseas payment needs for itself and customer agencies under Chief of Mission authority in a dynamic global operating environment.

As part of ongoing modernization efforts, Momentum, the Department's domestic and overseas accounting software, was upgraded to version 8.1.4. This upgrade fundamentally changed the software's underlying architecture, enabling more efficient future updates and establishing the foundation for operating in a cloud environment. The update introduced several enhancements to ease transaction processing. Notably, Acquisitions-related improvements included a Terms and Conditions Wizard, enhanced form navigation, and a dedicated workspace for Contracting Specialists and Officers. These features are designed to streamline and strengthen the Department's acquisition processes.

In alignment with the Department's operational efficiency goal of consolidating data centers, CGFS significantly reduced our hardware footprint by shutting down the Bangkok development data center. Its entire infrastructure was migrated to the cloud, utilizing Continuous Integration and Continuous Delivery pipelines for a vast improvement over legacy software development.

Our efforts have yielded measurable results. The Department processed nearly $750 million in consular fees online, via Treasury's Pay.gov platform, an increase of more than 900 percent compared to last year. In addition, we closed our main debt collection lockbox as of September 30, per EO 14247. These outcomes demonstrate our commitment to continuous improvement and operational excellence.

CGFS is assisting bureaus in tracking progress on reducing wasteful, inefficient spending. Aggregate 2025 obligations totaled $45 billion, with $30 billion in corresponding expenditures; both representing a 22 percent decline from comparable 2024 spending.

The Department received an unmodified ("clean") audit opinion on its 2025 financial statements. This achievement reflects the dedication of our financial management professionals and our robust internal control environment.

We continue to address previously reported significant deficiencies. In 2025, the Department automated its Statement of Assurance process enhancing efficiency and transparency, with advanced reporting features and further enhancements related to issue tracking and corrective actions planned for 2026.

Our work extends beyond accounting and reporting. By ensuring sound financial management, CGFS enables the Department to deliver on its diplomatic mission worldwide. We engage with internal and external stakeholders to align our financial practices with the Department's priorities and to foster a culture of transparency and accountability.

As we look to the future, CGFS will continue to prioritize financial stewardship, innovation, and service excellence. We are committed to building on our successes, addressing remaining challenges, and supporting the Department's mission with integrity and professionalism.

I am grateful to the dedicated professionals across CGFS and the Department for their unwavering commitment to excellence. Together, we will continue to advance the Department's mission and serve the American people.

Sincerely,

Douglas A. Pitkin
Acting Comptroller
December 18, 2025

Office of Inspector General
United States Department of State

UNCLASSIFIED December 18, 2025

INFORMATION MEMO FOR THE SECRETARY

FROM: OIG – Norman P. Brown, Acting Deputy Inspector General

SUBJECT: *Independent Auditor's Report on the U.S. Department of State FY 2025 Financial Statements* (AUD-FM-26-05)

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, 2025, and for the year 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 2025 financial statements, Kearney & Company found the following:

- The financial statements as of and for the fiscal year ended September 30, 2025, 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.
- Four significant deficiencies[2] in internal control, specifically related to property and equipment, 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.

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 December 18, 2025. 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

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[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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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-26-05

To the Secretary of the U.S. Department of State and the Senior Official Performing the Duties of 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 sheet as of September 30, 2025; the related consolidated statements of net cost and changes in net position and the combined statement of budgetary resources for the year 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, 2025, and its net cost of operations, changes in net position, and budgetary resources for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

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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 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 the Federal Accounting Standards Advisory Board, 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

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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 audit 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 audit 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 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 December 18, 2025, on our consideration of the Department's internal control over financial reporting and on our tests of the Department's compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of those reports is solely 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 the effectiveness of the Department's 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 in considering the Department's internal control over financial reporting and compliance.

Kearney & Company

Alexandria, Virginia
December 18, 2025

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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 Senior Official Performing the Duties of 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, 2025, which collectively comprise the Department's financial statements, and we have issued our report thereon dated December 18, 2025.

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 opinion 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, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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

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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 $34 billion in net property and equipment on its FY 2025 consolidated balance sheet. 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 2025, 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:

- Overseas Real Property – The Department operates at more than 270 embassies, consulates, and other posts in more than 180 countries and is primarily responsible for the acquisition, management, and disposal of real property in foreign countries on behalf of civilian U.S. Government agencies. We identified instances in which the Department did not record overseas real property disposals in a timely manner. The exceptions identified related to assets that had been disposed of through transactions other than sales (e.g., demolition). Although the Department implemented a quarterly data call to identify real property disposals, the process did not ensure that all real property disposals were recorded in the proper fiscal year. Additionally, post officials did not always update the Department's property system with information related to real property disposals in a timely manner. Without internal control enhancements, unrecorded real property transactions will continue to impact the Department's financial statements.

- 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 the Department did not record 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 properly recorded. The errors resulted in misstatements to the Department's 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

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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. Although the Department performed a quarterly data call to obtain information on SID status from project owners or managers, this process relied on the responsiveness and understanding of individual project owners or managers, not all of whom fully understood the accounting requirements for reporting software data. Additionally, the Department did not have an effective process to confirm that information provided by project managers was complete, accurate, and 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. Until the Department improves its internal control over accounting for software, it may continue to erroneously record some software-related transactions.

- 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. One of the collections is the Secretary of State's Register of Culturally Significant Property.[2] Items in this collection are classified as "multi-use" because of their use in general government operations. Agencies are annually required to report information related to heritage assets in a financial statement note. We identified 185 assets that were categorized as multi-use heritage assets in the Department's real property system of record that the Department did not report in its heritage asset note disclosure. The Department did not have an effective process to ensure that it reported all real property identified as a heritage asset. Specifically, for real property, the Department only reported items that were included on the Secretary of State's Register of Culturally Significant Property as heritage assets. Until the Department improves its internal control over accounting for heritage assets, it may continue to erroneously report the total number of heritage assets.

- Leases – The Department manages more than 17,000 real property leases throughout the world, including office and functional properties and residential units. In FY 2024, the Department implemented the Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standards (SFFAS) 54, "Leases," which significantly changed the requirements for reporting federal agencies' lease inventories. During the FY 2025 audit, we tested a sample of leases to assess the accuracy of the recorded lease data and identified exceptions, including information that was not supported and unrecorded key data elements. Although the Department continued to take 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 system by staff at more than 200 overseas locations. These employees had varying levels of understanding regarding when and how to record the lease data. The errors resulted in

[2] The Secretary of State's Register of Culturally Significant Property consists of buildings of historic, cultural, or architectural significance. The Department reported having 45 assets related to this collection as of September 30, 2024.

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misstatements in the Department's financial statements. Additionally, the tool the Department used to assist with SFFAS 54 reporting lacked the functionality to automatically calculate the required lease-related accounting transactions.

II. 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 requires allotment holders to review obligations at least quarterly to ensure that they are valid. In addition, the Department performs a higher level quarterly review of certain overseas ULOs and an annual review of certain domestic 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 its annual, higher level review of domestic ULOs, the Department only assesses ULOs that meet certain categories that it identified as being at higher risk for invalidity. As a result, invalid ULOs in other categories may not be identified during the annual review. Furthermore, not all allotment holders were performing periodic reviews of ULO balances as required. The Department adjusted its FY 2025 financial statements to address the invalid ULOs that we identified during the audit. However, funds that could have been used for other purposes may have remained open as invalid ULOs, increasing the risk of duplicate or fraudulent payments.

III. Financial Reporting

Weaknesses in controls over financial reporting were initially reported during the audit of the Department's FY 2019 financial statements. During FY 2025, 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 2025, the Department made child fund transfers to three agencies. Audit testing of child funds at two of the agencies identified a substantial number of invalid ULOs. The Department adjusted its FY 2025 financial statements to address significant invalid ULOs identified during the audit. Regarding the third agency, during our FY 2021 financial statement audit, we requested that the Department obtain detailed financial information from that agency. However, the data provided by that agency were not complete or accurate and did not reconcile to that agency's trial balance data. During our FY 2025 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

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available from the other agencies and were auditable. Without an effective process to monitor child funds, there is a risk of errors in the Department's future financial statements.

IV. 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 2025 information security program, in accordance with the Federal Information Security Modernization Act of 2014 (FISMA).[3] During that audit,[4] we concluded that the Department did not have an effective organization-wide information security program. Specifically, we determined that 9 of 10 domains included in the "FY 2025 Inspector General Federal Information Security Modernization Act of 2014 (FISMA) Reporting Metrics v2.0" 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,[5] as well as the use of outdated guidance for the selection and implementation of required security and privacy controls during the authorization and reauthorization processes.[6] In addition, the Department's processes to track and remediate identified vulnerabilities across the organization were ineffective.

Without an effective information security program, the Department remains vulnerable to IT-centered attacks and threats to its critical mission-related functions. Information security

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

[4] Office of Inspector General, *Audit of the Department of State FY 2025 Information Security Program* (AUD-IT-25-35, September 2025).

[5] According to the National Institute of Standards and Technology (NIST), Special Publication (SP) 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."

[6] OMB Circular A-130, "Managing Information as a Strategic Resource," July 28, 2016, page Appendix I – 16, states that agencies are required to meet and comply with NIST standards and guidance within 1 year after publication. NIST SP 800-53, rev. 5, "Security and Privacy Controls for Information Systems and Organizations," was published in September 2020. In addition, NIST SP 800-53A, rev. 5, "Assessing Security and Privacy Controls in Information Systems and Organizations," which provides guidance and establishes procedures for conducting assessments of security and privacy controls, was published in January 2022.

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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.

We considered the weaknesses and deficiencies identified during the FISMA audit to be a significant deficiency within the scope of the FY 2025 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.

Department's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the Department's response to the findings identified in our audit and previously described. 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 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
December 18, 2025

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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 Senior Official Performing the Duties of 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, 2025, which collectively comprise the Department's financial statements, and we have issued our report thereon dated December 18, 2025.

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 we are required to report in accordance with *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.

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

[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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accounting standards, or application of the United States Standard General Ledger at the transactional level.

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 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
December 18, 2025

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Appendix A

United States Department of State

Comptroller

Washington, DC 20520

UNCLASSIFIED
MEMORANDUM

December 18, 2025

TO: Arne B. Baker, Senior Official Performing the Duties of the Inspector General, U.S. Department of State

FROM: Douglas A Pitkin, Acting Comptroller

SUBJECT: Draft Report on the Department of State's Fiscal Year 2025 Financial Statements

This memo responds to your request for comments on the draft Independent Auditor's Report on Internal Control Over Financial Reporting, and Independent Auditor's Report on Compliance with Applicable Provisions of Laws, Regulations, Contracts, and Grant Agreements. We are pleased to learn the Independent Auditor's Report concludes the Department has received an unmodified ("clean") audit opinion on its FY 2025 principal financial statements. Moreover, the audit reflects no material weaknesses.

As you are aware 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 diplomacy on a 24/7 basis in over 135 currencies; manage over $79 billion in budgetary resources and $129 billion in assets. We remain focused on advancing financial transparency, strengthening internal controls, and modernizing our financial systems. In 2025, we enhanced our ability to provide timely, accurate, and actionable information to Department leadership and stakeholders through numerous initiatives. As part of the Department's reorganization, additional financial management functions have been consolidated within CGFS to provide partner-driven full life-cycle financial management support services.

We value accountability in all we do. 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. The collaboration, issues resolution, and pursuit to strengthen our financial management across all parties is outstanding. Producing the audit and the Agency Financial Report relies on this coordination across the Department's financial management community. 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.

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 continuing diligence and strong performance we strive to achieve in the Bureau of Comptroller and Global Financial Services (CGFS) and across the Department.

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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 2025, 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) report the financial position, results of operations, net position, and budgetary resources of the U.S. Department of State (Department). The Statements have been prepared from the Department records in accordance with generally accepted accounting principles (GAAP) for Federal entities pursuant to the formats prescribed by the U.S. Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, revised. The Statements are in addition to financial reports prepared in accordance with OMB and U.S. Department of the Treasury (Treasury) directives to monitor and control budgetary resources, which are prepared from the same records. The Statements should be read with the understanding that they are for a component of the U.S. Government, a sovereign entity.

Unless otherwise designated, all uses of a year indicate a fiscal year, e.g., 2025 equals Fiscal Year 2025. With the exception of the Combined Statement of Budgetary Resources, the Statements present the consolidated totals for the Department, net of intra-departmental transactions. The revised A-136 clarifies and streamlines reporting requirements and includes the single-year presentation.

The Statements include:

- The **Consolidated Balance Sheet** presents the Department's assets, liabilities, and net position.
- The **Consolidated Statement of Net Cost** reports the net cost of operations by major programmatic theme. The net cost of operations consists of the gross costs incurred, less any offsetting earned revenue from activities.
- The **Consolidated Statement of Changes in Net Position** reports the beginning net position, the transactions that affect net position for the year, and the ending net position.
- The **Combined Statement of Budgetary Resources** provides information on how budgetary resources were made available and their status at the end of the year.

The **Required Supplementary Information** (RSI) includes information required to accompany the Statements. The RSI is unaudited but subject to certain procedures specified by *Government Auditing Standards*. The RSI contains a Combining Statement of Budgetary Resources, along with disclosures on deferred maintenance and repairs, and land.

CONSOLIDATED BALANCE SHEET *(dollars in millions)*

As of September 30,	Notes	2025
ASSETS		
Intragovernmental Assets:		
Fund Balance with Treasury	3	$ 69,571
Investments, Net	4	22,896
Accounts Receivable, Net	5	91
Advances and Prepayments	7	1,346
Other Assets	8	226
Total Intragovernmental Assets		94,130
Other than Intragovernmental Assets:		
Accounts Receivable, Net	5	128
General Property and Equipment, Net	6	34,879
Advances and Prepayments	7	461
Other Assets		
Lease Receivable	8, 12	23
Cash and Other Monetary Assets	8	2
Inventory and Related Property, Net	8	11
Loans Receivable, Net	8	3
Total Other than Intragovernmental Assets		35,507
Total Assets		**$ 129,637**
Stewardship Property and Equipment – Heritage Assets	6	
LIABILITIES		
Intragovernmental Liabilities:		
Accounts Payable		$ 200
Advances from Others and Deferred Revenue		865
Other Liabilities	9	134
Total Intragovernmental Liabilities		1,199
Other than Intragovernmental Liabilities:		
Accounts Payable		
International Organizations Liability	11	348
Other Accounts Payable		2,236
Federal Employee Salary, Leave, and Benefits Payable	10	1,004
Pension and Post-Employment Benefits Payable	10	37,868
Advances from Others and Deferred Revenue		64
Other Liabilities		
International Organizations Liability	9, 11	4,664
Lease Liability	9, 12	2,878
Environmental and Disposal Liability	9	50
Other	9	895
Total Other than Intragovernmental Liabilities		50,007
Total Liabilities		**51,206**
Contingencies and Commitments	13	
NET POSITION		
Unexpended Appropriations		
Funds from Dedicated Collections	14	—
Funds from Other than Dedicated Collections		48,348
Total Unexpended Appropriations		48,348
Cumulative Results of Operations		
Funds from Dedicated Collections	14	6,637
Funds from Other than Dedicated Collections		23,446
Total Cumulative Results of Operations		30,083
Total Net Position		**78,431**
Total Liabilities and Net Position		**$ 129,637**

The accompanying notes are an integral part of these statements.

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

For the Year Ended September 30,	2025
Peace and Security	
Gross Costs	$ 2,353
Earned Revenue	(50)
Net Program Costs	2,303
Economic Support	
Gross Costs	181
Earned Revenue	—
Net Program Costs	181
Global Health Programs	
Gross Costs	7,684
Earned Revenue	—
Net Program Costs	7,684
Humanitarian Assistance	
Gross Costs	4,037
Earned Revenue	(10)
Net Program Costs	4,027
Administration of Foreign Affairs	
Gross Costs	24,376
Earned Revenue	(10,373)
Net Program Costs	14,003
International Organizations and Commissions	
Gross Costs	2,549
Earned Revenue	(14)
Net Program Costs	2,535
Related Programs and Special Trust Funds	
Gross Costs	508
Earned Revenue	—
Net Program Costs	508
Net Program Costs Before Assumption Changes	**31,241**
Actuarial Loss on Pension Assumption Changes (Notes 1 and 10)	184
Net Program Costs Including Assumption Changes	31,425
Total Gross Costs	**41,872**
Total Earned Revenue	**(10,447)**
Net Cost of Operations	**$ 31,425**

The accompanying notes are an integral part of these statements.

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

For the Year Ended September 30,	2025			
	Funds from Dedicated Collections (Consolidated Totals)	Funds from Other than Dedicated Collections (Consolidated Totals)	Intra-Departmental Eliminations	Consolidated Total
Unexpended Appropriations				
Beginning Balances	$ —	$ 48,281	$ —	$ 48,281
Appropriations Received	—	33,641	—	33,641
Appropriations Transferred In(Out)	—	17	—	17
Other Adjustments	—	(2,875)	—	(2,875)
Appropriations Used	—	(30,716)	—	(30,716)
Net Change in Unexpended Appropriations	—	67	—	67
Total Unexpended Appropriations: Ending	**$ —**	**$ 48,348**	**$ —**	**$ 48,348**
Cumulative Results of Operations				
Beginning Balances	$ 5,726	$ 25,126	$ —	$ 30,852
Adjustments	—	—	—	—
Beginning Balances, as Adjusted	5,726	25,126	—	30,852
Other Adjustments	—	(9)	—	(9)
Appropriations Used	—	30,716	—	30,716
Non-Exchange Revenue	—	1	—	1
Donations and Forfeitures of Cash and Cash Equivalents	20	—	—	20
Transfers In(Out) Without Reimbursement	50	(287)	—	(237)
Imputed Financing	144	340	(65)	419
Non-Entity Collections	—	(254)	—	(254)
Net Cost of Operations	697	(32,187)	65	(31,425)
Net Change in Cumulative Results of Operations	911	(1,680)	—	(769)
Total Cumulative Results of Operations: Ending	**6,637**	**23,446**	**—**	**30,083**
Net Position	**$ 6,637**	**$ 71,794**	**$ —**	**$ 78,431**

The accompanying notes are an integral part of these statements.

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

For the Year Ended September 30,		**2025**
Budgetary Resources:		
Unobligated Balance from Prior Year Budget Authority, Net	$	32,748
Appropriations (Discretionary and Mandatory)		38,252
Borrowing Authority (Discretionary and Mandatory)		3
Spending Authority from Offsetting Collections (Discretionary and Mandatory)		8,814
Total Budgetary Resources	**$**	**79,817**
Status of Budgetary Resources:		
New Obligations and Upward Adjustments (Total)	$	44,598
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts		31,064
Exempt from Apportionment, Unexpired Accounts		1,310
Unapportioned, Unexpired Accounts		1,918
Unexpired Unobligated Balance, End of Year		34,292
Expired Unobligated Balance, End of Year		927
Unobligated Balance, End of Year (Total)		35,219
Total Budgetary Resources	**$**	**79,817**
Outlays, Net:		
Outlays, Net (Total) (Discretionary and Mandatory)	$	36,481
Distributed Offsetting Receipts (-)		(6,705)
Agency Outlays, Net (Discretionary and Mandatory)	**$**	**29,776**

The accompanying notes are an integral part of these statements.

Notes to the Principal Financial Statements

1 Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Consolidation

In 1789, Congress established the U.S. Department of State (the Department), the senior cabinet-level Executive Branch department of the Federal Government. The Department's mission is to protect and promote U.S. security, prosperity, and democratic values and shape an international environment in which all Americans can thrive. The head of the Department, the Secretary of State, is the President's principal advisor on foreign affairs.

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). Various boundary and water treaties and agreements established the boundary between the United States and Mexico that extends 1,954 miles. Established in 1889, the IBWC is responsible for applying the treaties between the United States and Mexico and settling differences that may arise in their application.

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 reporting entity 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.

B. Basis of Presentation and Accounting

The financial statements have been prepared to report on the financial position, net cost of operations, changes in net position, and status and availability of budgetary resources of the Department. The 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. In 2025, in accordance with OMB Circular A-136 and Memorandum M-25-30, the financial statements utilize a single-year presentation format.

The statements and related notes have been prepared from the Department's accounting records. The Department's accounting policies follow GAAP for Federal entities, as prescribed by the Federal Accounting Standards Advisory Board (FASAB), which is recognized by the American Institute of Certified Public Accountants as the official body for setting accounting standards for the Federal Government. 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 accounting 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, facilitate compliance with the legal requirements, controls, monitoring, and reporting on the use of Federal funds. The differences between accrual and budgetary accounting relate primarily to the capitalization and depreciation of property and equipment, as well as the recognition of other assets and liabilities. See *Note 19, Reconciliation of Net Cost to Net Outlays*, for more information.

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 the 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 entity and Government-wide financial reports.

The Department'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 statute. 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).

The Department's 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, donations, and imputed financing sources. 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 Statement of Net Cost, with offsetting non-entity collections on the Statement of Changes in Net Position.

Appropriations: Congress enacts annual, multi-year, and no-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. All appropriations are subject to statutory 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 Statement of Changes in Net Position at the time they are recognized as expenditures.

Reimbursements: 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. Administrative support services at overseas posts are provided to other Federal agencies through the International Cooperative Administrative Support Services (ICASS). ICASS' billings are recorded as revenue and must cover operating expenses, overhead costs, and replacement costs for capital assets needed to carry out the program.

Sales Proceeds: 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.

Consular-Related and Other Fees: 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 also 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.

Donations: 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, 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.

Imputed Financing Sources: The Department receives goods and services from other Federal entities at no cost or less than the full cost to the providing entity. These are recognized as imputed costs in the Statement of Net Costs and as imputed financing sources on the Statement of Changes in Net Position. Imputed financing sources include employee benefits administered by the U.S. Office of Personnel Management (OPM) and others.

See *Note 15, Statement 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 related 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. Reorganization

In 2025, the Department undertook a transformative reorganization to streamline operations, enhance efficiency, and strengthen financial management. Key changes included consolidating region-specific functions, eliminating redundancies, and integrating USAID into the Department to better align foreign assistance with U.S. strategic priorities. No assets or obligations were transferred by USAID into the Department in 2025. This reorganization reflects the Department's commitment to modernizing its structure, empowering diplomats, and advancing U.S. interests globally while maintaining effective stewardship of taxpayer resources.

F. 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 of the U.S. Government. The amount represents 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, except for the Emergencies in the Diplomatic and Consular Services account. 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; to provide financial support for the Department and other Federal agencies' overseas operations. 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* and *Note 8, Other Assets*.

G. Accounts Receivable, Net

Accounts Receivable, Net, represents the net realizable value of amounts due from other Federal agencies (i.e., Intragovernmental Accounts Receivable) and the public or non-Federal entities (i.e., Other than Intragovernmental Accounts Receivable).

Intragovernmental Accounts Receivable are amounts owed the Department from the provision of services to other Federal agencies via ICASS, reimbursable agreements, and Working Capital Funds. Intragovernmental receivables are generally considered to be fully collectible.

Other than Intragovernmental Accounts Receivable consist of amounts owed the Department for civil monetary fines and penalties, outstanding Value-Added Tax (VAT) reimbursements, and receivables from 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, or violating manufacturing license agreements. VAT receivables relate to consumption taxes paid on overseas purchases, in which the Department has reimbursable agreements with the country related to the VAT paid. The Governments of the United States and Mexico 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 a treaty has predetermined the division of costs. Other than Intragovernmental Accounts Receivable are subject to the full debt collection cycle and mechanisms. In addition, delinquent Other than Intragovernmental Accounts Receivable are assessed interest, penalties, and administrative fees. Interest and penalties are assessed at the Current Value of Funds Rate established by Treasury.

Accounts Receivable are 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*.

H. 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 U.S.

citizens overseas who have no other source of funds to return to the United States. These loans provide return transportation, subsistence, and other related expenses. The borrower executes a promissory note without collateral. Consequently, the loans are made anticipating a low rate of recovery. Interest, penalties, and administrative fees are assessed on delinquent loans. Repatriation loans are subject to the full debt collection cycle and mechanisms. Also, 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. See *Note 8, Other Assets*.

I. Advances and Prepayments

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

J. Investments, Net

The Department has several accounts with the authority to invest cash resources. For these accounts, resources not required to meet current expenditures are invested in interest-bearing obligations of the U.S. Government. These investments are expected to be held to maturity and managed by the U.S. Treasury. The investments held consist of 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 Sheet.

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 International Chancery Center are in 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 as adjusted for 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 other accounts. Interest earned on investments, but not received as of September 30, is recorded as interest receivable. See *Note 4, Investments, Net*.

K. 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. Such property is managed by the Bureau of Overseas Buildings Operations (OBO) and includes unimproved land; residential and functional-use buildings such as embassy/consulate office buildings; office annexes and support facilities; and construction-in-progress. The title to these properties is held under various conditions including fee simple, restricted use, crown lease, and deed of use agreement. Some properties are considered multi-use heritage assets, which is a heritage asset that is primarily used for general government operations. The cost of such items is capitalized as general property and equipment and depreciated over its estimated useful life.

The Department also owns several domestic real properties, including the International Center (Washington, DC); Financial Services Center (Charleston, SC); Information Management Center (Beltsville, MD); Florida Regional Center (Ft. Lauderdale, FL); and consular centers (Charleston, SC and Williamsburg, KY). 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, 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 buildings and structures regardless of cost, and 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. Once projects are substantially complete, the 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 useful life starting on the in-service date. The estimated useful lives for real property follow:

Asset Category	Estimated Useful Life
Land Improvements	30 years
Buildings and Structures	10 to 50 years
Right-to-Use Leases	Shorter of lease term or 30 years
Leasehold Improvements	Shorter 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.

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 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 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, whereas host country-managed aircraft are maintained to host country requirements.

The Department also maintains a large vehicle fleet that operates overseas. Many vehicles require security armoring, and, 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. Capitalized personal property also includes all vehicles (regardless of cost) and internal use software with a cost of $3 million or more. Depreciation is calculated on a straight-line basis over the asset's estimated useful life starting on the property's in-service date, except for contractor-held vehicles in Iraq. Due to the harsh operating conditions, contractor-held vehicles in Iraq 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

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. The lease agreements are executed in over 180 countries, paid in over 100 currencies, and subject to overseas market conditions and individual host country legal requirements. In addition, the Department manages overseas real property leases on behalf of other Federal entities conducting business overseas, which requires substantial interagency coordination. 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 overseas real property facilities 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 specified in the contract or agreement in exchange for consideration.

Right to Use Leases - All leases are recognized as right-to-use (RTU) lease assets and associated lease liabilities in the Consolidated Balance Sheet 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 will exercise 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 with the unilateral right to terminate the lease, though, in the normal course of business, this rarely occurs.

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 shorter of the lease term or the estimated 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. In return for the use of the properties, other Federal entities reimburse the Department for the lease costs. Lease payments due to the Department typically represent 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.

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 value.

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

L. Grants

The Department awards educational, cultural exchange, and refugee assistance grants to various individuals, universities, and non-profit organizations. The Department records a budgetary obligation at the time a grant is awarded. As grant recipients conduct eligible activities under the terms of their agreement, grant funds may be disbursed by HHS' Payment Management System.

In 2025, the Department took over the administration of certain USAID programs related to foreign assistance. These functions are often distributed via grants, cooperative agreements, and contracts.

M. 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.

N. Advances from Others and Deferred Revenue

Advances from others and deferred revenue consist of monies received for goods or services that have not yet been provided or rendered by the Department.

O. 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. See *Note 10, Federal Employee Benefits Payable*.

P. 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, which the Department matches. Employees covered under CSRS also contribute 1.45 percent of their salary to Medicare insurance, which the Department also matches. 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 hire date) 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, both of which the Department matches. 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, which the Department matches.

FSPS employees contribute 1.35 percent, 3.65 percent, or 4.95 percent (depending on hire date) of their salary; the Department contributes 20.22 percent or 17.92 percent. FSRDS and FSPS employees contribute 1.45 percent of their salary to Medicare, which the Department matches. 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 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 and recognizes an imputed cost and imputed financing source for the annualized unfunded portion of CSRS, post-retirement health benefits, and life insurance for covered employees.

Q. 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 records a liability for these claims. Additionally, DOL calculates an actuarial liability for estimated future workers' compensation benefits. The Department also records an unfunded liability for these estimated future payments.

R. 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 and the expected future contributions are adequate to cover the value of promised future 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 to determine the needed employer contributions to the retirement fund. It 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 adjust the valuation assumptions, as appropriate. The Department completes an Actuarial Experience Study approximately every five years to ensure the assumptions reflect the most recent experience and future expectations. 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*.

S. 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 prevailing local practices. Title 22, Foreign Relations and Intercourse, Section 3968, Local Compensation Plans, provides the Department with the authority to establish such benefits as part of a total employee compensation plan.

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 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 *No. 19, Employee Benefits*, which provide a better structure for the reporting of these plans, established in accordance with local practices in foreign countries.

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 payment amount is generally based on length of service, pay rate at the time of separation, and the separation type.

T. 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 pays annual assessed obligations (membership dues) to international organizations and, separately, the assessed and voluntary contributions to international peacekeeping missions. These payments are funded through congressional appropriations provided to the Department, ensuring continued American leadership within those organizations and support for activities serving important U.S. interests. Appropriations for membership dues assessed for certain international organizations are not received until the fiscal year following assessment. These commitments are regarded as funded only when authorized and appropriated by Congress. For accounting purposes, the amounts assessed, pledged, and unpaid are reported as Department liabilities. See *Note 11, International Organizations Liability*.

U. Contingent Liabilities

Contingent liabilities are liabilities that may be incurred by the Department depending on the outcome of an uncertain future event. Contingencies are classified into three categories: probable, reasonably possible, and remote. The Department recognizes contingent liabilities in the Balance Sheet and Statement of Net Cost for any losses considered both probable and reasonably estimable. Contingent liabilities are disclosed in the notes to the financial statements when the conditions for liability recognition are reasonably possible. Contingent liabilities that are deemed remote are not disclosed. The Department's contingent liabilities primarily relate to legal actions. Environmental liabilities are also included in contingencies. See *Note 9, Other Liabilities*, and *Note 13, Contingencies and Commitments*.

V. 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. They 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*.

W. Net Position

Net position is the residual difference between assets and liabilities. 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. Unobligated balances are the amount available after deducting cumulative obligations from total budgetary resources.

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

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

X. 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 denominated in foreign currencies, these amounts are converted to U.S. dollars based on the exchange rate on the date of the transaction. Foreign currency payments are made by the U.S. Disbursing Office.

Y. 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 include receiving contributions from donors for the purpose of providing compensation for certain claims, investment of contributions into Treasury securities, and disbursing contributions received within the scope of an established agreement. Fiduciary balances are excluded from the Department's principal financial statements. See *Note 18, Fiduciary Activities*.

Z. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions, and exercise judgment affecting the reported amounts for 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, past 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 may differ from these estimates.

AA. 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 2025.

AB. Standards Implemented – Change in Accounting Principle

In 2025, the Department implemented SFFAS No. 64, *Management's Discussion and Analysis*, which rescinded and replaced SFFAS No. 15. The new standard improved Federal guidance by providing a concise set of principle-based reporting standards and guiding management in the preparation of a balanced, concise, integrated, and understandable Management's Discussion and Analysis.

2 Disclosure Entities and Related Parties

Pursuant to SFFAS No. 47, *Reporting Entity*, the Department's financial statements include all consolidation entities for which it is responsible. 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*. The following organizations are also 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. A related party exists when one party could exercise significant influence over another in making 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, 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 liabilities to these organizations.

The East-West Center (EWC), a Congressionally-authorized non-profit entity, is 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. The Department received a $22 million annual appropriation for EWC in 2025.

The Department also receives an annual appropriation and provides monies to several International Fisheries Commissions. These include the Great Lakes Fishery Commission, Pacific Salmon Commission, International Pacific Halibut Commission, and others. The commissions facilitate international cooperation by conducting and coordinating scientific studies of fish stocks and other marine resources. Many also oversee the allocation of fishing rights to their members. The Department received a $66 million appropriation for these commissions in 2025.

3 Fund Balance with Treasury

Fund Balance with Treasury as of September 30, 2025, is summarized below *(dollars in millions)*.

Status of Fund Balance with Treasury		
Unobligated Balances	$	36,619
Obligated Balances not yet Disbursed		32,795
Total Unobligated and Obligated Balances		69,414
Non Budgetary Fund Balance with Treasury		157
Total Fund Balance with Treasury	$	69,571

4 Investments, Net

Investments, Net as of September 30, 2025, are summarized below *(dollars in millions)*. All investments are classified as Intragovernmental Securities.

	Cost	Amortized (Premium) Discount	Interest Receivable	Net Investments	Market Value	Maturity Dates	Interest Rates Range
Non-Marketable, Par Value:							
Special Issue Securities	$22,277	$ —	$ 205	$ 22,482	$ 21,581	2026 – 2032	1.375% – 4.625%
Subtotal	22,277	—	205	22,482	21,581		
Non-Marketable, Market Based:							
Israeli Arab Scholarship Programs	5	—	—	5	5	2025 – 2029	0.375% – 3.875%
Eisenhower Exchange Fellowship Fund	8	—	—	8	8	2027 – 2029	2.500% – 4.375%
Middle Eastern-Western Dialogue Fund	8	—	—	8	6	2025 – 2030	0.250% – 4.125%
Gift Funds, Treasury Bills	25	(1)	—	24	24	2026 – 2027	2.000% – 2.250%
International Center	21	—	—	21	20	2026	0.000%
Foreign Service National Defined Contributions Fund	356	(10)	2	348	387	2026 – 2043	0.625% – 4.250%
Subtotal	423	(11)	2	414	450		
Total Intragovernmental Investments	$22,700	$ (11)	$ 207	$ 22,896	$ 22,031		

The Department's activities that have the authority to invest cash resources are composed 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, 2025 is summarized below (*dollars in millions*). All are entity receivables.

	Entity Receivables	Allowance for Uncollectible	Net Receivables
Intragovernmental Accounts Receivable	$ 104	$ (13)	$ 91
Other than Intragovernmental Accounts Receivable	170	(42)	128
Total Receivables	**$ 274**	**$ (55)**	**$ 219**

The Accounts Receivable, Net of allowance for uncollectible accounts as of September 30, 2025, is $219 million. 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.G, Accounts Receivable, Net*).

6 General Property and Equipment, Net

General Property and Equipment, Net balances as of September 30, 2025, is shown by major class in the following schedule *(dollars in millions)*.

	2025		
Major Classes	**Cost**	**Accumulated Depreciation**	**Net Value**
Real Property:			
Overseas –			
Land and Land Improvements	$ 3,802	$ (137)	$ 3,665
Buildings and Structures	32,790	(15,283)	17,507
Construction-in-Progress	7,412	—	7,412
Right-to-Use Lease Assets	3,561	(743)	2,818
Leasehold Improvements	927	(597)	330
Domestic –			
Structures, Facilities and Leaseholds	1,979	(885)	1,094
Construction-in-Progress	307	—	307
Right-to-Use Lease Assets	17	(1)	16
Land and Land Improvements	442	(74)	368
Total – Real Property	51,237	(17,720)	33,517
Personal Property:			
Aircraft	331	(267)	64
Vehicles	975	(679)	296
Communication Equipment	30	(23)	7
ADP Equipment	365	(264)	101
Reproduction Equipment	6	(5)	1
Security Equipment	275	(178)	97
Internal Use Software	927	(691)	236
Software-in-Development	446	—	446
Other Equipment	335	(221)	114
Total – Personal Property	3,690	(2,328)	1,362
Total General Property and Equipment, Net	$ 54,927	$ (20,048)	$ 34,879

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, 2025, is shown in the following schedule (*dollars in millions*).

General Property & Equipment, Net	2025
Beginning Balance	$ 33,727
Capitalized Acquisitions	2,647
Right-to-Use Lease Assets	427
Dispositions	(49)
Transfers In/Out Without Reimbursement	(3)
Revaluations	4
Depreciation Expense	(1,428)
Amortization of Right-to-Use Lease Assets	(446)
Donations	—
Ending Balance	$ 34,879

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.K, 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 and United Nations Educational, Scientific, and Cultural Organization (UNESCO) Heritage Assets, the National Museum of American Diplomacy, the Blair House, and the International Boundary and Water Commission. The collections, the 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 Year Ended September 30, 2025

	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
Acquisitions	1	—	155	137	26
Adjustments	2	1	506	681	2
Disposals	13	—	338	762	7
Number of Assets — 9/30/2025	1,762	2,759	5,118	16,709	1,405

HERITAGE ASSETS *(continued)* For the Year Ended September 30, 2025				
	Secretary of State's Register of Culturally Significant Property and UNESCO Heritage Assets*	**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
Acquisitions	1	244	—	—
Adjustments	240	—	—	—
Disposals	—	—	—	—
Number of Assets — 9/30/2025	286	7,984	2,597	140

*Prior to 2025, the Department reported only the Secretary of State's Register of Culturally Significant Property. The 2025 adjustment represents heritage assets designated by UNESCO and Host Nation not included in prior year.

7 Advances and Prepayments

The Department's Advances and Prepayments as of September 30, 2025, are summarized below *(dollars in millions)*.

Advances and Prepayments		
Intragovernmental Assets		
Advances and Prepayments	$	1,346
Total Intragovernmental Assets		1,346
Other than Intragovernmental Assets		
Salary Advances		7
Travel Advances		15
Other Advances and Prepayments		439
Total Other than Intragovernmental Assets		461
Total Advances and Prepayments	$	1,807

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.I, Advances and Prepayments*). The majority of intragovernmental advances and prepayments are to USAID for Federal assistance in support of the global health and HIV/AIDS programs. Additionally, intragovernmental prepayments are made to the Defense Security Cooperation Agency in support of the peacekeeping operations program and the Department of Homeland Security for migration and refugee assistance. Other Advances and Prepayments are predominately in support of the global health and HIV/AIDS programs, education allowance costs in support of diplomatic programs, and payments to support OBO's real property acquisitions.

8 Other Assets

The Department's Other Assets are primarily composed of intragovernmental reimbursable work assets with the General Services Administration (GSA). In March 2023, FASAB issued Technical Bulletin (TB) 2023-1, *Intragovernmental Leasehold Reimbursable Work Agreements*.

Effective for periods after September 30, 2023, TB 2023-1 provides new accounting guidance related to reimbursable work agreements between Federal agencies where the purchase or construction of assets is funded by one agency, but the providing agency will derive a significant level of benefits of the reimbursable work, like retaining title of the asset. Currently, the Department and GSA have five reimbursable work agreements where the Department funded the acquisition and initial improvements of several properties, but because of the limitations on the Department's real property authority domestically, GSA owns and reports the assets on their financial statements. In turn, GSA issued occupancy agreements to the Department.

In 2025, 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, and amortized the costs over the remaining terms of the occupancy agreements.

The Department's Other Assets are also composed of Lease Receivable, Cash and Other Monetary Assets, Inventory and Loans Receivables.

The Department's Other Assets as of September 30, 2025, is summarized below *(dollars in millions)*.

Other Assets		
Intragovernmental Assets		
Other Assets - Reimbursable Work Asset	$	226
Total Intragovernmental Assets	$	226
Other than Intragovernmental Assets		
Lease Receivable	$	23
Cash and Other Monetary Assets		2
Inventory and Related Property, Net		11
Loans Receivable, Net		3
Total Other than Intragovernmental Assets	$	39
Total Other Assets	$	265

9 Other Liabilities

The Department's Other Liabilities as of September 30, 2025, is summarized below *(dollars in millions)*.

Other Liabilities	
Intragovernmental Liabilities	
Custodial and Other Non-Entity Assets Liability	$ 52
Debt	7
Unfunded FECA Liability	22
Other Liabilities Without Related Budgetary Obligations	8
Other Liabilities	45
Total Intragovernmental Liabilities	134
Other than Intragovernmental Liabilities	
International Organizations Liability	4,664
Lease Liability	2,878
Environmental and Disposal Liability	50
Withholdings Payable	25
Contingent Liability	196
Other Liabilities Without Related Budgetary Obligations	414
Other Liabilities With Related Budgetary Obligations	260
Total Other than Intragovernmental Liabilities	8,487
Total Other Liabilities	$ 8,621

Environmental Liability Associated with Asbestos Cleanup and Other

The Department has estimated both friable, $5 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, 2025, 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, 2025 is 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		
Intragovernmental Liabilities		
Unfunded FECA Liability	$	22
Total Intragovernmental Liabilities		22
Unfunded Actuarial Liabilities:		
Foreign Service Retirement Actuarial Liability		14,159
Foreign Service Nationals:		
Defined Contributions Fund		9
Lump Sum Retirement and Voluntary Severance		425
Total Unfunded Actuarial Liabilities		14,593
International Organizations Liability		4,664
Lease Liability		2,780
Unfunded Leave		549
Contingent Liability		196
Environmental and Disposal Liabilities		50
Other Liabilities		316
Total Liabilities Not Covered by Budgetary Resources		23,170
Total Liabilities Covered by Budgetary Resources		27,828
Total Liabilities Not Requiring Budgetary Resources		208
Total Liabilities	$	51,206

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 Year Ended September 30,	**2025**
Pension and Post-Employment Benefits Payable	
Foreign Service Officers	
Foreign Service Retirement and Disability Fund	$ 36,567
Foreign Service Nationals	
Defined Contribution Fund	350
Defined Benefit Plans	—
Lump Sum Retirement and Voluntary Severance	771
Total Foreign Service Nationals	1,121
Pension Benefits Due and Payable to Beneficiaries	82
Actuarial FECA Liability	98
Total Pension and Post-Employment Benefits Payable	$ 37,868
Federal Employee Salary, Leave, and Benefits Payable	
Accrued Funded Payroll and Leave	335
Employer Contributions and Payroll Taxes Payable	48
Other Unfunded Employment Related Liability	72
Unfunded Leave	549
Total Federal Employee Salary, Leave, and Benefits Payable	$ 1,004
Total Federal Employee Benefits Payable	$ 38,872

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 2025.

Normal Cost:	2025
FSRDS	59.81%
FSPS	46.15%

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 year ended September 30, 2025 *(dollars in millions)*.

For the Year Ended September 30,		2025
Pension Actuarial Liability, Beginning of Year	$	35,141
Pension Expense:		
Normal Cost		1,105
Interest on Pension Liability		1,051
Actuarial (Gains) or Losses:		
From Experience		300
From Assumption Changes		
Interest Rate		(971)
Other		1,170
Total Pension Expense		2,655
Less: Payments to Beneficiaries		1,229
Pension Actuarial Liability, End of Year		36,567
Less: Net Assets Available for Benefits		22,408
Actuarial Pension Liability – Unfunded	$	14,159

For the Year Ended September 30,	2025
Actuarial Assumptions:	**2025**
Rate of Return on Investments	3.12%
Rate of Inflation	3.06%
Salary Increase	3.31%

Net Assets Available for Benefits as of September 30, 2025, consist of the following *(dollars in millions)*.

As of September 30,		2025
Fund Balance with Treasury	$	1
Accounts and Interest Receivable		236
Investments in U.S. Government Securities		22,277
Total Assets		22,514
Less: Liabilities Other Than Actuarial		106
Net Assets Available for Benefits	$	22,408

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 49,000, 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, 2025, approximately 9,400 FSNs in 29 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 2025 was $33.0 million. Total liability reported for the FSN DCP is $247 million as of September 30, 2025.

The FSN VCP reported employee and employer contributions of $27.2 million as of September 30, 2025. The total liability reported for the FSN VCP is $103 million as of September 30, 2025.

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 2025 was $41 million.

Defined Benefit Plans

In 10 countries, involving over 2,700 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.S, 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 as of September 30, 2025.

The material FSN defined benefit plans include plans in Germany and the United Kingdom (UK) which represent 77 percent of total assets, and 71 percent of total projected benefit obligations as of September 30, 2025. The Germany plan's most recent evaluation report, dated September 4, 2025, is as of July 1, 2025. The UK plan's most recent evaluation, dated November 20, 2024, is as of April 5, 2024.

For the Germany plan, the change in the net defined benefit liability was a decrease of $6 million in 2025, while for the UK plan the change was a decrease of $22 million in 2025.

For Germany, the decrease in the net defined benefit liability in 2025 was primarily due to actuarial gains due to an increase in the discount rate.

For the UK plan in 2025, the decrease in the net defined benefit liability was primarily due to an increase in the discount rate and investment gains on plan assets.

The following two note schedules show the changes in the projected benefit obligation and plan assets during 2025 for the Germany and UK plans *(dollars in millions)*.

Change in Benefit Obligations:		**2025**
Benefit Obligations Beginning of Year	$	436
Service Cost		9
Interest Cost		8
Other		(30)
Benefit Obligations End of Year	$	423

Change in Plan Assets:		**2025**
Fair Value of Plan Assets Beginning of Year	$	511
Return on Plan Assets		34
Other		(19)
Fair Value of Plan Assets End of Year		526
Net Defined Benefit Liability	$	(103)

The note schedule below shows the allocation of the plan assets by category during 2025 for the Germany and UK plans.

	2025
Insurance Policies	35%
Equity Securities	40%
Money Market and Cash	1%
Debt Securities	24%
Total	100%

The principal actuarial assumptions used for 2025 for the Germany and UK plans are presented below:

Actuarial Assumptions:	**2025**
Discount Rate	2.70% – 5.59%
Salary Increase Rate	2.25% – 4.36%
Pension Increase Rate	1.75% – 3.36%

Retirement and Voluntary Severance Lump Sum Payments

In 84 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, 2025, approximately 27,000 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, 2025, 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, 2025, are:

	2025
Discount Rate	2.84%
Rate of inflation	Varies
Salary Increase	3.00 – 12.00%

Based upon the projection, the total liability reported for the Retirement and Voluntary Severance Lump Sum Payment is $771 million as of September 30, 2025 *(dollars in millions)*:

As of September 30,		**2025**
Retirement	$	248
Voluntary Severance		523
Total	$	771

The following note schedule shows the changes in the projected benefit obligation during 2025 *(dollars in millions)*:

Changes in Benefit Obligations:		**2025**
Benefit Obligations Beginning of Year	$	739
Normal Cost		60
Benefit Payments		(49)
Interest Cost		20
Actuarial (Gain)Loss on Assumptions		(15)
Actuarial (Gain)Loss Due to Experience		14
Other		2
Benefit Obligations End of Year	$	771

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.

In 2025, Congress rescinded significant funding across all IO accounts. The Department obligated and executed all expiring funds, and carried forward remaining funding for CIO, CIPA, and IO&P accounts.

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, 2025.

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

International Organizations Liability		
Regular Membership Assessments Payable to UN	$	1,495
Dues Payable to UN Peacekeeping Missions		2,143
International Organizations Liability		2,295
Total Owed to International Organizations		5,933
Less Amounts Mandated to be Withheld and not likely to be Paid		921
International Organizations Liability	$	5,012
Funded Amounts	$	348
Unfunded Amounts		4,664
Total International Organizations Liability	$	5,012

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 12,000 of these leases are occupied, funded, and reported by the Department. Approximately 5,000 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 year ended September 30, 2025. Refer to *Note 6, General Property and Equipment, Net*, *Note 8, Other Assets*, and *Note 9, Other Liabilities*, for additional information.

Leases as a Lessee

The Department recognizes a RTU lease asset and associated lease liabilities for leases with terms over 24 months and leased from non-intragovernmental lessors. Agreements with terms of 24 months or less and intragovernmental leases are expensed as incurred.

The number of leases for General Property and Equipment, Net as of September 30, 2025 is as follows:

	Real Property	Personal Property	Total
Domestic	116	1,551	1,667
Overseas	10,128	—	10,128
Total	10,244	1,551	11,795
Intragovernmental	113	1,551	1,664
Other than Intragovernmental	10,131	—	10,131
Total	10,244	1,551	11,795

Intragovernmental:

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 2025, the Department paid $286 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 2025, the Department paid $10 million to GSA for the 1,551 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. In 2025, the Department paid $617 million for real property leases to non-intragovernmental landlords. Real property leases by major use as of September 30, 2025 is as follows.

	Number of Leases	Discount Rate Range	Average Term
Residential	9,326	0.30% – 5.12%	7 Years
Functional	316	0.30% – 4.97%	8 Years
Structure	156	0.33% – 4.88%	7 Years
Office	180	0.30% – 4.97%	23 Years
Land	153	0.35% – 4.99%	21 Years
Total	10,131		

The Department's lease liability amount is the net present value of the future lease payments. The Department's lease payments include a fixed rent amount, the exercise price of a probable purchase option, and lease incentives. Typically, the Department's lease arrangements include an immaterial variable rent amount. A summary of future lease payments for the next five years and beyond as of September 30, 2025 (*dollars in millions*) is as follows.

Fiscal Year	Principal	Interest	Total
2026	$ 394	$ 125	$ 519
2027	358	108	466
2028	303	93	396
2029	264	80	344
2030	225	69	294
2031 – 2035	659	228	887
2036 – 2040	282	128	410
2041 – 2045	198	70	268
2046 – 2050	136	32	168
2051 – 2056	59	5	64
Total Lease Payments	$ 2,878	$ 938	$ 3,816
Lease Liability	$ 2,878		

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, 2025 (*dollars in millions*) is as follows.

Fiscal Year	Reimbursement
2026	$ 17
2027	15
2028	14
2029	13
2030	12
2031 – 2035	32
2036 – 2040	15
2041 – 2045	8
2046 – 2050	2
2051 – 2055	—
Total Leases Revenues	$ 128

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. In 2025, the Department collected $4.3 million in revenue for out-granted leases.

A summary of future lease receivables for the next five years and beyond as of September 30, 2025 (dollars in millions) is as follows.

Fiscal Year	Principal	Interest	Total
2026	$ 3	$ 1	$ 4
2027	3	1	4
2028	4	1	5
2029	3	1	4
2030	4	—	4
2031 – 2035	3	1	4
2036 – 2040	1	1	2
2041 – 2045	1	—	1
2046 – 2050	1	—	1
2051 – 2056	—	—	—
Lease Receivable, Net	$ 23	$ 6	$ 29

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 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 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 $196 to $205 million as of September 30, 2025. As a result, a legal contingency of $196 million was accrued as of September 30, 2025. The probable cases involved an Equal Employment Opportunity Commission claim, the Equal Access to Justice Act claims, a contract claim, an administrative tort claim, international claims made against the United States, and others. Also, the Department identified claims in which an adverse outcome is reasonably possible and could result in a range of estimable losses of $186 to $496 million as of September 30, 2025. The reasonably possible cases involved contract disputes, embassy construction claims, administrative tort claims, passport fees, 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, and others. 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 litigated by other U.S. Government agencies. Generally, amounts paid under any decision, settlement, or award pertaining to these matters are paid from the Judgment Fund, which is administered by Treasury. However, Judgment Fund payments for Department cases related to suits brought through the Contract Disputes Act of 1978 or awards under the Notification and Federal Employee Antidiscrimination and Retaliation Act of 2002 are required to be reimbursed to Treasury from Department appropriations. Reimbursable Judgment Fund payments on behalf of the Department totaled $4.8 million as of September 30, 2025.

As a part of the Department's ongoing 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's environmental contingencies include environmental cleanup costs associated with its facilities' friable and non-friable asbestos, as well as lead-based paint cleanup. To estimate the environmental contingencies, OBO periodically assesses foreign posts to identify buildings with asbestos-containing building materials. The results of this analysis are recorded in OBO's asbestos management database, and the Department uses a cost-modeling technique to estimate asbestos-abatement costs. An accrued liability is recognized for environmental costs that are both probable and reasonably estimable. See *Note 9, Other Liabilities*.

A summary of the Department's contingencies as of September 30, 2025 (*dollars in millions*) follows.

	Accrued Liabilities	Estimated Range of Loss	
		Lower End	**Upper End**
Legal Contingencies:			
Probable	$ 196	$ 196	$ 205
Reasonably Possible	$ —	$ 186	$ 496
Environmental Contingencies:			
Probable	$ 50	$ 50	$ 50
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 Statement 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 pay rewards for information assisting in the promotion of national security and the protection of Americans. Descriptions of these programs follow.

- **Rewards for Justice:** This program's mission is to generate useful information to protect Americans and further 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 the program's statutory authority to offer rewards for information on international terrorism, foreign interference in U.S. elections, 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.
- **Narcotics Rewards Program:** This program has been an effective tool to assist the U.S. Government disrupt and dismantle 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 program has helped bring more than 90 violators of U.S. narcotics laws to justice.
- **War Crimes Rewards Program:** This program is managed by the Department's Office of Global Criminal Justice. It offers rewards of up to $5 million for information that leads to the arrest, transfer, or conviction of designated defendants accused of crimes against humanity, genocide, or war crimes by an international

criminal tribunal, including hybrid or mixed tribunals. This program has contributed to more than 30 prosecutions of fugitives accused of these crimes.

- **Transnational Organized Crime Rewards Program:** This program supports law enforcement efforts to disrupt and dismantle illicit trafficking and other transnational criminal networks to protect American lives and U.S. national security. Managed by 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 reduction of transnational crime, disruption of the financial mechanisms that enable them, and the arrest and/or conviction of members and leaders. The program covers transnational crimes such as cybercrime, human trafficking, money laundering, wildlife trafficking, and trafficking in arms and other illicit goods.

Pending offers under these programs total $3.4 billion and the Department has paid rewards of $479 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 rewards program amounts that may become due.

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, 2025 *(dollars in millions)*.

	2025		
	Consular and Border Security Programs	**Other Funds from Dedicated Collections**	**Total Funds from Dedicated Collections (Consolidated)**
Balance Sheet as of September 30,			
ASSETS			
Intragovernmental Assets:			
Fund Balance with Treasury	$ 6,456	$ 109	$ 6,565
Investments, Net	—	46	46
Advances and Prepayments	130	—	130
Total Intragovernmental Assets	6,586	155	6,741
Other than Intragovernmental Assets:			
Accounts Receivable, Net	2	—	2
Property and Equipment, Net	206	120	326
Advances and Prepayments	17	—	17
Total Other than Intragovernmental Assets	225	120	345
Total Assets	**$ 6,811**	**$ 275**	**$ 7,086**
LIABILITIES			
Intragovernmental Liabilities:			
Accounts Payable	$ 89	$ —	$ 89
Advances from Others and Deferred Revenue	14	—	14
Other Liabilities	34	—	34
Total Intragovernmental Liabilities	137	—	137
Other than Intragovernmental Liabilities:			
Accounts Payable	176	1	177
Federal Employee Salary, Leave, and Benefits Payable	82	—	82
Other Liabilities	53	—	53
Total Other than Intragovernmental Liabilities	311	1	312
Total Liabilities	**448**	**1**	**449**
NET POSITION			
Unexpended Appropriations	—	—	—
Cumulative Results of Operations	6,363	274	6,637
Total Liabilities and Net Position	**$ 6,811**	**$ 275**	**$ 7,086**
Statement of Net Cost for the Year Ended September 30,			
Gross Program Costs	$ 5,091	$ 75	$ 5,166
Less: Earned Revenues	5,862	1	5,863
Net Program Costs	(771)	74	(697)
Net Cost of Operations	**$ (771)**	**$ 74**	**$ (697)**
Statement of Changes in Net Position for the Year Ended September 30,			
Unexpended Appropriations			
Beginning Balances	$ —	$ —	$ —
Appropriations Used	—	—	—
Total Unexpended Appropriations	**—**	**—**	**—**

	2025		
	Consular and Border Security Programs	**Other Funds from Dedicated Collections**	**Total Funds from Dedicated Collections (Consolidated)**
Cumulative Results of Operations			
Beginning Balances	$ 5,447	$ 279	$ 5,726
Appropriations Used	—	—	—
Donations and Forfeitures of Cash & Property	—	20	20
Transfers In(Out) Without Reimbursement	1	49	50
Imputed Financing	144	—	144
Net Cost of Operations	771	(74)	697
Net Change in Cumulative Results of Operations	916	(5)	911
Total Cumulative Results of Operations	**6,363**	**274**	**6,637**
Net Position, End of Period	**$ 6,363**	**$ 274**	**$ 6,637**

15 Statement of Net Cost

The Consolidated Statements of Net Cost report the Department's gross cost and net cost by major program. 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 $31,425 million in 2025.

The presentation of net costs by major program is established pursuant to SFFAS No. 4, *Managerial Cost Accounting Standards and Concepts* and the Government Performance and Results Act (GPRA) of 1993, as amended by the GPRA Modernization Act of 2010. For 2025, the Department identified seven major programs: Peace and Security, Economic Support, Global Health Programs, Humanitarian Assistance, Administration of Foreign Affairs, International Organizations and Commissions, and Related Programs and Special Trust Funds.

The Consolidating Schedule of Net Cost displays gross costs and earned revenues 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 Western Hemisphere 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) Foreign Assistance, Humanitarian Affairs, and Religious Freedom; (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, 2025, follows:

CONSOLIDATING SCHEDULE OF NET COST

For the Year Ended September 30, 2025

(dollars in millions)

	Under Secretary for							
MAJOR PROGRAM	**Arms Control, Int'l Security**	**Manage-ment-Consular Affairs**	**Foreign Assistance, Human-itarian Affairs, and Religious Freedom**	**Eco-nomic Growth, Energy and Envi-ronment**	**Political Affairs**	**Public Diplomacy and Public Affairs**	**Intra-Depart-mental Elimina-tions**	**Total**
Peace and Security								
Gross Costs	$ 2,213	$ —	$ 2	$ —	$ 269	$ —	$ (131)	$ 2,353
Earned Revenue	(65)	—	—	—	—	—	15	(50)
Net Program Costs	2,148	—	2	—	269	—	(116)	2,303
Economic Support								
Gross Costs	—	—	183	—	—	—	(2)	181
Earned Revenue	—	—	—	—	—	—	—	—
Net Program Costs	—	—	183	—	—	—	(2)	181
Global Health Programs								
Gross Costs	—	—	6,713	—	1,066	—	(95)	7,684
Earned Revenue	—	—	—	—	—	—	—	—
Net Program Costs	—	—	6,713	—	1,066	—	(95)	7,684
Humanitarian Assistance								
Gross Costs	—	—	4,058	—	—	—	(21)	4,037
Earned Revenue	—	—	(10)	—	—	—	—	(10)
Net Program Costs	—	—	4,048	—	—	—	(21)	4,027
Administration of Foreign Affairs								
Gross Costs	378	13,903	187	215	13,216	2,553	(6,076)	24,376
Earned Revenue	(154)	(14,917)	(52)	—	(956)	(54)	5,760	(10,373)
Net Program Costs	224	(1,014)	135	215	12,260	2,499	(316)	14,003
International Organizations and Commissions								
Gross Costs	5	—	—	65	2,481	—	(2)	2,549
Earned Revenue	—	—	—	—	(14)	—	—	(14)
Net Program Costs	5	—	—	65	2,467	—	(2)	2,535
Related Programs and Special Trust Funds								
Gross Costs	—	2	402	—	75	29	—	508
Earned Revenue	—	—	—	—	—	(34)	34	—
Net Program Costs	—	2	402	—	75	(5)	34	508
Net Program Costs Before Assumption Changes	**2,377**	**(1,012)**	**11,483**	**280**	**16,137**	**2,494**	**(518)**	**31,241**
Actuarial Loss on Pension Assumption Changes	3	91	(11)	1	84	16	—	184
Net Program Costs Including Assumption Changes	2,380	(921)	11,472	281	16,221	2,510	(518)	31,425
Total Gross Costs	**2,599**	**13,996**	**11,534**	**281**	**17,191**	**2,598**	**(6,327)**	**41,872**
Total Earned Revenue	**(219)**	**(14,917)**	**(62)**	**—**	**(970)**	**(88)**	**5,809**	**(10,447)**
Net Cost of Operations	**$ 2,380**	**$ (921)**	**$ 11,472**	**$ 281**	**$ 16,221**	**$ 2,510**	**$ (518)**	**$ 31,425**

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 2025, follows *(dollars in millions)*:

Under Secretary		
Political Affairs	$	9,719
Management (Consular Affairs)		9,103
Public Diplomacy and Public Affairs		1,673
Arms Control, International Security Affairs		322
Foreign Assistance, Humanitarian Affairs, and Religious Freedom		6,772
Economic Growth, Energy and Environment		141
Total	$	27,730

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 and Concepts*, 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 Statement 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 Statement of Net Cost and SCNP, for the year ended September 30, 2025 *(dollars in millions)*:

Inter-Entity Costs		
Other Post-Employment Benefits:		
Civil Service Retirement Program	$	152
Federal Employees Health Benefits Program		266
Federal Employees Group Life Insurance Program		1
Subtotal – Imputed Financing Source		419
Future Workers' Compensation Benefits		19
Total Inter-Entity Costs	$	438

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 year ended September 30, 2025, follow *(dollars in millions)*:

Earned Revenues	Total Prior to Eliminations	Intra-Departmental Eliminations	Total
Consular Fees:			
Passport, Visa and Other Consular Fees	$ 764	$ —	$ 764
Machine Readable Visa	2,509	—	2,509
Expedited Passport	347	—	347
Passport, Visa and Other Surcharges	2,410	—	2,410
Fingerprint Processing, Diversity Lottery, and Affidavit of Support	62	—	62
Subtotal – Consular Fees	6,092	—	6,092
FSRDF	1,951	1,048	903
ICASS	3,411	2,466	945
Other Reimbursable Agreements	2,590	647	1,943
Working Capital Fund	1,875	1,577	298
Other	337	71	266
Total	$ 16,256	$ 5,809	$ 10,447

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 2025 was $523 million.

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 2025 was $656 million. FSRDF cash resources are invested in special non-marketable securities issued by the Treasury. Total interest earned on these investments for 2025 was $773 million.

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 Statement of Budgetary Resources

The Combined Statement of Budgetary Resources report information on how budgetary resources were made available and their status as of and for the year ending September 30, 2025. 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 year ending September 30, 2025, the Department received approximately $79.8 billion budgetary resources, primarily consisting of the following:

Source of Budgetary Resources ***(dollars in billions)***		
Budget Authority:		
Direct or Related Appropriations	$	31.0
Authority Financed from Trust Funds		7.3
Spending Authority from Providing Goods and Services		8.8
Unobligated Balance from Prior Year Budget Authority, Net		32.7
Total Budgetary Resources	$	79.8

Unobligated Balance from Prior Year Budget Authority, Net **(*dollars in billions*)**		
Unobligated Balance – End of Prior Year	$	30.1
Transfers In/Out Prior Year Authority		—
Recoveries of Prior Year Paid Obligations		0.5
Recoveries of Prior Year Unpaid Obligations		2.3
Funds Returned to Treasury		(0.2)
Unobligated Balance from Prior Year Budget Authority, Net	$	32.7

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, 2025, was approximately $33.1 billion. This includes $3.6 billion for September 30, 2025 pertaining to revolving funds, trust funds, and substantial commercial activities. Of the budgetary resources obligated for UDO for all activities as of September 30, 2025, $31.1 billion is for undelivered, unpaid orders and $2 billion is for undelivered, paid orders.

Undelivered Orders ***(dollars in millions)***	**Federal**	**Non-Federal**	**Total**
Paid	$ 1,520	$ 457	$ 1,977
Unpaid	1,237	29,885	31,122
Total	$ 2,757	$ 30,342	$ 33,099

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 $497 million. 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 Statement of Budgetary Resources to the Budget of the U.S. Government

The reconciliation of the Combined Statement of Budgetary Resources and the actual amounts reported in the Budget of the U.S. Government (Budget) as of September 30, 2024, is presented in the following note schedule. Since these financial statements are published before the Budget, this reconciliation is based on the 2024 Combined Statement of Budgetary Resources because actual amounts for 2024 are in the most recently published Budget (i.e., 2025). The Budget with actual numbers for September 30, 2025, will be published in the 2027 Budget and available in early February 2026. The Department of State's Budget Appendix includes this information and is available on [OMB's](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 Statement of Budgetary Resources and the Budget.

For the Fiscal Year Ended September 30, 2024 ***(dollars in millions)***	**Budgetary Resources**	**Obligations Incurred**	**Distributed Offsetting Receipts**	**Net Outlays**
Combined Statement of Budgetary Resources	$ 87,221	$ 57,491	$ 6,307	$ 38,952
Distributed Offsetting Receipts	—	—	(6,307)	6,307
Funds not Reported in the Budget:				
Expired Funds	(864)	—	—	—
Undelivered Orders Adjustment	(233)	—	—	—
Other and Rounding Errors	(19)	(8)	—	2
Budget of the U.S. Government	$ $86,105	$ 57,483	$ —	$ 45,261

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 2025, the Department collected $68 million 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, 2025 and 2024, 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)***	**2025**					**2024**				
	19X6223	**19X6225**	**19X6226**	**Other Fiduciary Funds**	**Total**	**19X6223**	**19X6225**	**19X6226**	**Other Fiduciary Funds**	**Total**
Fiduciary Net Assets, Beginning of Year	$ 1	$ 19	$ 2	$ —	$ 22	$ 1	$ 9	$ 2	$ —	$ 12
Contributions	—	47	—	—	47	—	10	—	—	10
Investment Earnings	—	—	—	—	—	—	—	—	—	—
Disbursements to and on Behalf of Beneficiaries	—	(26)	—	—	(26)	—	—	—	—	—
Increases/(Decreases) in Fiduciary Net Assets	—	21	—	—	21	—	10	—	—	10
Fiduciary Net Assets, End of Year	$ 1	$ 40	$ 2	$ —	$ 43	$ 1	$ 19	$ 2	$ —	$ 22

Fiduciary Net Assets

As of September 30, ***(dollars in millions)***	**2025**					**2024**				
Fiduciary Assets	**19X6223**	**19X6225**	**19X6226**	**Other Fiduciary Funds**	**Total**	**19X6223**	**19X6225**	**19X6226**	**Other Fiduciary Funds**	**Total**
Fund Balance with Treasury	$ 1	$ 40	$ 2	$ —	$ 43	$ 1	$ 19	$ 2	$ —	$ 22
Investments										
Investment in Treasury Securities	—	—	—	—	—	—	—	—	—	—
Total Fiduciary Net Assets	$ 1	$ 40	$ 2	$ —	$ 43	$ 1	$ 19	$ 2	$ —	$ 22

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 Statement 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 Statement 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 Year Ended September 30, *(dollars in millions)*	**2025**		
	Intra-governmental	**With the Public**	**Total**
Net Cost	**$ 623**	**$ 30,802**	**$ 31,425**
Passport Fees Collection that are not Part of Net Outlays	—	254	254
Components of Net Cost that are not Part of Net Outlays:			
Property and Equipment Depreciation	—	(1,428)	(1,428)
Property and Equipment Gain/(Loss) on Disposal & Revaluation	—	(7)	(7)
Lessee Lease Amortization	—	(595)	(595)
Gain/(Loss) on Lease Cancellations	—	579	579
Applied Overhead/Cost Capitalization Offset	—	2,646	2,646
Increase/(Decrease) in Assets:			
Accounts Receivable, Net	192	(3)	189
Direct Loans and Loan Guarantees Receivable, Net	—	(2)	(2)
Securities and Investments	24	—	24
Other Assets	(441)	(569)	(1,010)
(Increase)/Decrease in Liabilities:			
Accounts Payable	(214)	222	8
Loans Guarantee Liability/Loans Payable	(2)	—	(2)
Lessee Lease Liability	—	(129)	(129)
Environmental and Disposal Liabilities	—	1	1
Federal Employee Salary, Leave, and Benefits Payable	—	(24)	(24)
Pension and Post-Employment Benefits Payable	—	(1,403)	(1,403)
Other Liabilities	(499)	(1,362)	(1,861)
Financing Sources:			
Imputed Cost	(419)	—	(419)
Total Components of Net Cost that are not Part of Net Outlays	**(1,359)**	**(2,074)**	**(3,433)**
Financing Sources:			
Donated Revenue	—	(19)	(19)
Transfers Out(In) Without Reimbursements	289	—	289
Total Components of the Budget Outlays that are not Part of Net Operating Cost	**289**	**(19)**	**270**
Miscellaneous Items			
Distributed Offsetting Receipts	—	(6,705)	(6,705)
Recognition of Right-to-Use Lease Assets	—	85	85
Custodial/Non-Exchange Revenue	(2)	—	(2)
Appropriated Receipts for Trust/Special Funds	—	7,882	7,882
Total Other Reconciling Items	**(2)**	**1,262**	**1,260**
Total Net Outlays	**$ (449)**	**$ 30,225**	**$ 29,776**

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.

2025 Statement of Net Cost ***(dollars in millions)***		**2025 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 Loss on Assumption Changes	$ 41,872	$ 2,590	$ 34,396	$ —	$ 36,986	Non-Federal Gross Cost
			184	—	184	Loss on Changes in Actuarial Assumptions (Non-Federal)
		2,590	34,580	—	37,170	**Total Non-Federal Costs**
						Intragovernmental Costs
		190	561	(57)	694	Benefit Program Costs
		144	339	(65)	418	Imputed Costs
		2,188	2,095	(1,019)	3,264	Buy/Sell Costs
		54	272	—	326	Other Expenses (without Reciprocals)
		2,576	3,267	(1,141)	4,702	**Total Intragovernmental Costs**
Total Gross Costs	**41,872**	**5,166**	**37,847**	**(1,141)**	**41,872**	**Total Reclassified Gross Costs**
Earned Revenue	10,447	5,840	527	—	6,367	**Non-Federal Earned Revenue**
						Intragovernmental Earned Revenue
		22	4,226	(1,019)	3,229	Buy/Sell Revenue
		—	133	(57)	76	Benefit Program Revenue
		1	774	—	775	Federal Securities Interest Revenue Including Associated Gains/Losses (Exchange)
		23	5,133	(1,076)	4,080	**Total Intragovernmental Earned Revenue**
Total Earned Revenue	**10,447**	**5,863**	**5,660**	**(1,076)**	**10,447**	**Total Reclassified Earned Revenue**
Net Cost of Operations	**$ 31,425**	**$ (697)**	**$ 32,187**	**$ (65)**	**$ 31,425**	**Net Cost**

2025 Statement of Changes in Net Position (dollars in millions)		**2025 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	$ 48,281	$ —	$ 48,281	$ —	$ 48,281	Unexpended Appropriations – Beginning Balance
Budgetary Financing Sources						
Appropriations Received	33,641	—	33,641	—	33,641	Appropriations Received
Other Adjustments	(2,875)	—	(2,875)	—	(2,875)	
Appropriations Transferred In(Out)	17	—	(18,646)	18,673	27	Non-Expenditure Transfers-In of Unexpended Appropriations and Financing Sources
		—	18,663	(18,673)	(10)	Non-Expenditure Transfer-Out of Unexpended Appropriations and Financing Sources
Appropriations Used	(30,716)	—	(30,716)	—	(30,716)	Appropriations Used
Total Unexpended Appropriations	**48,348**	**—**	**48,348**	**—**	**48,348**	**Total Unexpended Appropriations**
Cumulative Results of Operations – Beginning Balances	$ 30,852	$ 5,726	$ 25,126	$ —	$ 30,852	Cumulative Results of Operations – Beginning
Other Adjustments	(9)	—	(9)	—	(9)	Revenue and Other Financing Sources – Cancellations
Appropriations Used	30,716	—	30,716	—	30,716	Appropriations Expended
Non-exchange Revenue	1	—	1	—	1	
Donations and Forfeitures of Cash and Cash Equivalents	20	20	—	—	20	Other Taxes and Receipts (Non-Federal)
Transfers In(Out) Without Reimbursement	(237)	—	2	(2)	—	Non-Expenditure Transfers-In of Unexpended Appropriations and Financing Sources
		—	(2)	2	—	Non-Expenditure Transfers-Out of Unexpended Appropriations and Financing Sources
		—	(289)	—	(289)	Expenditure transfer-out of financing sources
		52	—	—	52	Appropriation of Unavailable Special or Trust Fund Receipts Transfers-In
		(3)	—	—	(3)	Appropriation of Unavailable Special or Trust Fund Receipts Transfers-Out
		1	35	(28)	8	Transfers-In Without Reimbursement
		—	(33)	28	(5)	Transfers-Out Without Reimbursement
Imputed Financing	419	144	340	(65)	419	Imputed Financing Sources
Non-Entity Collections	(254)	—	(254)	—	(254)	Non-Entity Custodial Collections Transferred to the General Fund
Net Cost of Operations	(31,425)	697	(32,187)	65	(31,425)	Net Cost of Operations
Total Cumulative Results of Operations	**30,083**	**6,637**	**23,446**	**—**	**30,083**	**Total Cumulative Results of Operations**
Net Position	**$ 78,431**	**$ 6,637**	**$ 71,794**	**$ —**	**$ 78,431**	**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, 2025 *(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	$ 14,801	$ 242	$ 433	$ 1,511	$ 15,761	$ 32,748
Appropriations (Discretionary and Mandatory)	20,442	2,215	479	1,281	13,835	38,252
Borrowing Authority (Discretionary and Mandatory)	3	—	—	—	—	3
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	8,099	—	12	2	701	8,814
Total Budgetary Resources	**$ 43,345**	**$ 2,457**	**$ 924**	**$ 2,794**	**$ 30,297**	**$ 79,817**
Status of Budgetary Resources:						
New Obligations and Upward Adjustments (Total)	$ 29,066	$ 758	$ 274	$ 1,052	$ 13,448	$ 44,598
Unobligated Balance, End of Year:						
Apportioned, Unexpired Accounts	13,233	780	641	274	16,136	31,064
Exempt from Apportionment, Unexpired Accounts	428	—	—	797	85	1,310
Unapportioned, Unexpired Accounts	360	919	2	445	192	1,918
Unexpired Unobligated Balance, End of Year	14,021	1,699	643	1,516	16,413	34,292
Expired Unobligated Balance, End of Year	258	—	7	226	436	927
Unobligated Balance, End of Year (Total)	14,279	1,699	650	1,742	16,849	35,219
Total Budgetary Resources	**$ 43,345**	**$ 2,457**	**$ 924**	**$ 2,794**	**$ 30,297**	**$ 79,817**
Outlays, Net:						
Outlays, Net (Total) (Discretionary and Mandatory)	$ 20,632	$ 454	$ 243	$ 1,442	$ 13,710	$ 36,481
Distributed Offsetting Receipts	(6,705)	—	—	—	—	(6,705)
Agency Outlays, Net (Discretionary and Mandatory)	**$ 13,927**	**$ 454**	**$ 243**	**$ 1,442**	**$ 13,710**	**$ 29,776**

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 11,000 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:

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

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. Consistent with the Federal Real Property Council, 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 estimated repair needs, and the data 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. The repair needs identified by post can include project cost estimates based on local labor and material costs.

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 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. The unit rates are adjusted each year based on inflation in labor and material cost.

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 adopted a multi-factor approach for computing DM&R. Factor 1 considers the facility's construction age and applies to property with an age exceeding 75 years. Factor 2 establishes acceptable condition levels for various building types. An acceptable condition of 75 is used for Band A (mission-critical facilities). This decreases to 70 for Band B (mission-critical office buildings), 65 for Band C (mission-dependent properties), and 60 for Band D (non-mission dependent properties).

Due to the number of new facilities constructed over the past 20 years, the overall FCI for the Department's overseas asset inventory is currently at 81 percent. However, the condition of approximately 10 percent of the overseas real properties are below the acceptable level. The proportion of properties with an FCI score below the acceptable level 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.

Factors Considered in Determining Acceptable Condition

The Department undertakes to provide secure, safe, functional, and sustainable facilities representing the U.S. Government and sustain 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 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. 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 projects the 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, and ensure 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 composed of a function between building system condition and its mission impact should the asset fail. Highest risk maintenance and repairs are prioritized first.

The Department's DM&R balances as of September 30, 2025, follow.

Deferred Maintenance and Repairs *(dollars in millions)*

Asset Category	Domestic and Overseas	IBWC	Total
General Property and Equipment	$ 1,191	$ 17	$ 1,208
Heritage Assets	673	1	674
Total	**$ 1,864**	**$ 18**	**$ 1,882**

Land

The Department holds land predominantly for operational purposes. This land is located domestically and overseas to fulfill its foreign policy mission.

The Office of Real Property Management in the Bureau of Administration oversees the Department's domestic real estate portfolio, including office, infrastructure, and warehouse space. The Department manages more than 150 domestic properties leased through 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 for managing the Department's foreign real property.

The Department does not oversee stewardship land, except for an IBWC-administered parcel in the Fort Brown site in south Texas. 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, at the beginning and end of the current Fiscal Year.

Land by Predominant Use (Estimated Number of Acres)

Location	Commercial	Conservation and Preservation	Operational	Total Estimated Acreage
Start of Current Year (October 1, 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
End of Current Year (September 30, 2025)				
Domestic	—	—	955.98	955.98
Overseas	—	—	5,247.09	5,247.09
IBWC	—	2.81	146,048.25	146,051.06
Total	—	2.81	152,251.32	152,254.13

* 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 deemed held for disposal or exchange.

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) and the Federal Financial Management Improvement Act of 1996 (FFMIA). Tables 10 and 11 show management's summary of these matters.

Table 10. 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 11. 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	No lack of substantial compliance noted	No lack of substantial compliance noted
2. Applicable Federal Accounting Standards	No lack of substantial compliance noted	No lack of substantial compliance noted
3. USSGL at Transaction Level	No lack of substantial compliance noted	No lack of substantial 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.

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Office of Inspector General
U.S. DEPARTMENT *of* STATE

OIG-26-01 FY 2026

Fiscal Year 2025 Inspector General Statement on the Department of State's Major Management and Performance Challenges

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Contents

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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 identify challenges by taking a qualitative and holistic view of our body of oversight work, giving particular weight to common issues that appear to affect the Department systemically. 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 assess the Department's major management and performance challenges as falling into three primary areas:

- **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.
- **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.

This document includes examples of OIG reports and findings completed in FY 2025 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 administrative control and protection from public or other unauthorized disclosure for other reasons.

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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 most significant challenge the Department faces this year regarding the workforce is the Department's reorganization and the integration into the Department of select functions of the U.S. Agency for International Development (USAID). Federal agency reorganization is always a significant undertaking in any circumstances. However, an evaluation of the Department's efforts to plan for the integration of certain USAID functions found that short timeframes, the dynamic operational environment, varying legal considerations, continuing foreign assistance review, and Department reorganization complicated the Department's efforts to realign USAID functions.[3] OIG stated that delegating responsibility for completing realignment efforts, fully developing an implementation plan with milestones to track progress, and focusing on strategic workforce planning would improve the efficiency and effectiveness of the Department's efforts. However, at the time of OIG's evaluation, the Department had not completed its implementation plan to carry out the USAID realignment. OIG concluded that if the Department's efforts to realign USAID functions fall short, the ongoing and concurrent Department reforms, such as the reorganization, may be adversely affected.

In another audit of the Department's administration of the shipment and storage of personal effects,[4] OIG reported that the Department did not have standardized, formal training for personnel responsible for evaluating shipments of personal effects and selecting the appropriate shipment method. OIG concluded that without sufficient guidance and employee training, the Department cannot ensure that it consistently administers post assignment travel services in accordance with federal regulations.

As of the end of FY 2025, OIG was tracking more than 85 open recommendations designed to guide the Department toward improvements in these areas.

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[3] OIG, *Evaluation of the Department of State's Approach to Realigning U.S. Agency for International Development Functions* (AUD-GEER-25-20, May 2025).

[4] OIG, *Audit of the Department of State's Administration of the Shipment and Storage of Personal Effects During Post Assignment Travel* (AUD-FM-25-22, May 2025).

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Progress

In FY 2025, the Department demonstrated it had taken the necessary actions to close 83 recommendations related to staffing and organizational structure. This represents 13 percent of all recommendations closed during the year. For example, in response to a recommendation from an audit of the Department's information security program,[5] the Department defined and implemented procedures for biennial competency studies of the knowledge, skills, and abilities of its IT workforce, which will aid in workforce planning. Specifically, the Department assessed approximately 2,500 personnel assigned to six technical occupational series and identified six areas of improvement to address proficiency gaps in its IT workforce.

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 at more than 270 posts. 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. The unclassified examples and findings included in this report summarize 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. However, as we have noted in previous years, the Department struggles to ensure compliance with its own standards. Our

[5] OIG, *Audit of the Department of State FY 2023 Information Security Program* (AUD-IT-23-31, September 2023), Recommendation 13.

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routine inspections of U.S. embassies and consulates abroad offer insights on this challenge. Issues commonly identified in that body of work include failures to:

Mitigate the fire- and life-safety risks of high-rise residential properties	Implement fire-protection programs at facilities and residences	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 prior to occupancy

In FY 2025, our work resulted in more than 90 recommendations to remedy such deficiencies. For example, in a recent inspection of Embassy Berlin and constituent posts, OIG found that the embassy and Consulate General Frankfurt had multiple unresolved safety, fire-protection, and facilities problems. These included a structurally deficient utility building, an inoperative fire-suppression sprinkler system on one floor of the embassy's chancery building, an inoperative fire alarm system in an embassy annex, and a consulate building with an electrical arc flash hazard (with the risk of an unintended blast of electricity hot enough to vaporize metal or spray molten shrapnel throughout the immediate vicinity).[6]

Another inspection found deficiencies in the fire-protection program and the safety, health, and environmental management program in Embassy Tunis. Nineteen of the embassy's residential apartment properties did not meet minimal fire-safety standards that require two exits or exit stairways on each floor and a functional fire alarm system. Additionally, the embassy had installed 11 unpermitted, prefabricated buildings on the chancery and recreation center compounds that may not have met the required building and fire codes.[7]

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 facilities, and in FY 2025 our work resulted in more than 100 recommendations related to this challenge. The Department's facilities must meet certain physical security requirements that are meant to reduce risk and vulnerabilities while protecting personnel, property, and information. When overseas posts identify facilities that do not meet the relevant

[6] OIG, *Inspection of Embassy Berlin and Constituent Posts*, *Germany* (ISP-I-25-03, December 2024).

[7] OIG, *Inspection of Embassy Tunisia, Tunisia* (ISP-I-25-16, April 2025).

physical security requirements, posts first seek ways to bring the facilities into compliance, but when this is not possible, the Department may grant a waiver or an exception. OIG's recommendations on physical security are included in classified inspection reports, so OIG cannot identify in an unclassified setting the specific posts at which these issues occurred. For example, OIG determined that several embassies lacked the required level of forced-entry/ballistic-resistant protection on doors or windows. OIG inspected another embassy that lacked safe areas and compound emergency sanctuaries to accommodate all embassy staff. In another embassy, OIG found unsecured items, such as steel beams, rebar, and bricks on the embassy compound, that could be used as weapons of opportunity.

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 FY 2025, our work offered more than 165 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	Monitoring and configuring non-enterprise networks	Maintaining appropriate records management

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 9 of 10 domains, including cybersecurity supply chain risk management, risk and asset management, configuration management, identity and access management, data protection and privacy, security training, and contingency planning.[8] In another

[8] OIG, *Audit of the Department of State FY 2025 Information Security Program* (AUD-IT-25-35, September 2025).

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audit related to IT security,[9] OIG found that the Bureau of Consular Affairs did not consistently document IT security and privacy controls for two selected systems. For example, OIG found that the system security plans for the two systems did not include all required information. OIG also found that the bureau did not consistently implement IT security and privacy controls tested for this audit. The information security standards that form the criteria for these audits 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 12 significant recommendations, one that dates to 2015, stemming from annual audits of the Department's information security program that the Department has not taken sufficient action on to close.

In another audit,[10] OIG found that Embassy Kyiv did not implement adequate measures to preserve federal records created using eMessaging platforms, such as Signal. Although Embassy Kyiv distributed a Management Notice reminding staff of federal records retention requirements, the embassy did not institute additional measures to ensure staff preserved records created or received using eMessaging applications. OIG also found that many Embassy Kyiv personnel reported using the eMessaging platform Signal to conduct official Department business but did not consistently preserve correspondence in accordance with federal requirements.

OIG inspections frequently identified situations where Information Systems Security Officers (ISSOs) were not consistently performing information security duties for the Department's classified, Sensitive But Unclassified, and non-enterprise networks, leaving the networks vulnerable to potential unauthorized access and malicious activity.[11] Additionally, inspections identified instances where IT staff were not annually testing the mission's unclassified and classified IT contingency plans to ensure effectiveness and determine readiness to execute them during unplanned

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[9] OIG, *Audit of Selected Bureau of Consular Affairs Information Systems' Compliance With Information Security and Privacy Controls* (AUD-IT-25-28, September 2025).

[10] OIG, *Audit of U.S. Embassy Kyiv, Ukraine, Records Retention for Electronic Messaging* (AUD-GEER-25-10, January 2025).

[11] OIG, *Inspection of Embassy Brazzaville, Republic of the Congo* (ISP-I-25-04, December 2024); OIG, *Inspection of Embassy Jakarta and Constituent Posts*, Indonesia (ISP-I-25-01, January 2025); OIG, *Inspection of Embassy Kinshasa, Democratic Republic of the Congo* (ISP-I-25-05, February 2025); OIG, *Inspection of Embassy Algiers, Algeria* (ISP-I-25-10, April 2025); OIG, *Inspection of Embassy Tunis, Tunisia* (ISP-I-25-16, April 2025); OIG, *Inspection of the Bureau of Economic and Business Affairs* (ISP-I-25-11, May 2025); OIG, *Inspection of Embassy Lusaka, Zambia* (ISP-I-25-14, June 2025); OIG, *Inspection of Embassy Port of Spain, Trinidad and Tobago* (ISP-I-25-19, August 2025); OIG, *Inspection of Embassy Riga, Latvia* (ISP-I-25-20, September 2025); OIG, *Inspection of Embassy Port Louis*, Mauritius (ISP-I-25-22, September 2025).

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system outages or disruptions.[12] Failure to test IT contingency plans increases the risk missions will not be able to maintain availability of critical information resources during an emergency or crisis event.

Progress

In FY 2025, the Department demonstrated that it had taken the necessary actions toward the closure of nearly 300 OIG recommendations related to safety and security issues. This represents nearly half of all recommendations closed during the year. For example, in an audit of the use of electronic messaging applications at U.S. Embassy Kyiv OIG recommended that the Department assess the extent to which electronic messaging applications, including Signal, are used at posts worldwide to conduct Department business.[13] The Department took action to implement this recommendation and reported that a low percentage of employees used electronic messaging applications to conduct business.

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. The most recent audit of the Department's financial statements found that financial reporting remained a significant deficiency with regard to appropriated funds that are required to be transferred to other agencies for programmatic execution, which involves a significant risk of errors in the Department's future financial statements.[14] This audit also found that 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. During another audit, OIG found that Embassy Kabul's sensitive security assets exceeded what it needed for day-to-day

[12] OIG, *Inspection of Embassy Jakarta and Constituent Posts*, Indonesia (ISP-I-25-01, January 2025); OIG, *Inspection of the U.S. Mission to the United Nations, New York* (ISP-I-25-06, February 2025); OIG, *Inspection of Embassy Lusaka, Zambia* (ISP-I-25-14, June 2025).

[13] OIG, *Audit of U.S. Embassy Kyiv, Ukraine, Records Retention for Electronic Messaging* (AUD-GEER-25-10, January 2025), Recommendation 04.

[14] OIG, *Independent Auditor's Report on the U.S. Department of State FY 2024 and FY 2023 Financial Statements* (AUD-FM-25-04, November 2024).

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operations and, as a result, could not be adequately managed in exigent circumstances. The Department required embassies and consulates to complete an annual inventory of their sensitive security assets but did not require an analysis of whether the amount of equipment maintained was appropriate for mission needs. Excessive quantities of equipment contributed to the challenges security personnel faced in destroying or disabling the equipment in accordance with Department guidance before the post was evacuated.[15] Additionally, numerous recent inspections found staff at overseas posts and in one domestic mission did not maintain proper documentation and control over assets, including furniture and appliance pool assets.[16]

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.

For example, one audit of contractor requests for equitable adjustments[17] (i.e., requests for an adjustment to a contract's time or price) on construction contracts found that the Department's process did not fully comply with regulations or guidance. OIG reported that the Department did not always comply with requirements to determine the merit of equitable adjustment requests or prepare sufficient independent cost estimates. OIG noted that until the Department fully complies with requirements, it cannot be assured that equitable adjustment requests are settled in a fair and reasonable manner. As a result, OIG questioned $837,172 in unsupported costs and $3,251,891 in unallowable costs. During another audit,[18] OIG found that the Department did not administer small business

[15] OIG, *Audit of the Disposition of Sensitive Security Assets at U.S. Embassies Kabul, Afghanistan, and Kyiv, Ukraine* (AUD-GEER-25-01, October 2024).

[16] OIG, *Inspection of Embassy Berlin and Constituent Posts, Germany* (ISP-I-25-03, December 2024); OIG, *Inspection of Embassy Jakarta and Constituent Posts*, Indonesia (ISP-I-25-01, January 2025); OIG, *Inspection of Embassy Kinshasa, Democratic Republic of the Congo* (ISP-I-25-05, February 2025); OIG, *Inspection of the U.S. Mission to the United Nations, New York* (ISP-I-25-06, February 2025); OIG, *Inspection of Embassy Algiers, Algeria* (ISP-I-25-10, April 2025); OIG, *Inspection of Embassy Tunis, Tunisia* (ISP-I-25-16, April 2025); OIG, *Inspection of Embassy Doha, Qatar* (ISP-I-25-12, May 2025); OIG, *Inspection of Embassy Harare, Zimbabwe,* (ISP-I-25-13, May 2025); OIG, *Inspection of Embassy Muscat, Oman* (ISP-I-25-15, May 2025); OIG, *Inspection of Embassy Ankara and Constituent Posts, Türkiye* (ISP-I-25-09, June 2025); OIG, *Inspection of Embassy Riga, Latvia* (ISP-I-25-20, September 2025).

[17] OIG, *Audit of Selected Contractor Requests for Equitable Adjustment Related to Bureau of Overseas Buildings Operations' Construction Projects* (AUD-CGI-25-15, March 2025).

[18] OIG, *Audit of Department of State Administration of Subcontracting Plans for Small Businesses* (AUD-CGI-25-16, March 2025).

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subcontracting plans as required. In fact, for approximately 75 percent of the contracts selected for testing, the Department was unable to provide an approved subcontracting plan. OIG also found that the Department did not take appropriate action against contractors that failed to make good-faith efforts to comply with subcontracting plans.

In other example, during an audit of public-private partnerships,[19] OIG found that although the Department generally adhered to policies and procedures related to evaluating the suitability and necessity of public-private partnerships and conducting due diligence, it did not consistently manage and monitor public-private partnerships as required. As a result, the Department could not ensure that public-private partnerships effectively enhanced shared objectives or achieved mutual goals. Finally, in an audit of the Department's Monitoring of Anti-Corruption Programs and Activities in Central and Eastern Europe, OIG found that the Department did not have internal controls in place to systematically track and capture the entirety of anti-corruption programs and activities in these locations and provide reliable and timely financial information on them.[20] Although the Department spent approximately $51 million on these initiatives and anti-corruption was a key issue in its foreign assistance framework, the Department lacked a means to provide a complete and accurate accounting of anti-corruption activities.

OIG inspections often identify contract and grant management deficiencies. For example, several recent inspections found contracting officer's representatives and/or government technical monitors who lacked proper certifications, required training, or designation letters.[21] In the grants management context, numerous OIG inspections have found that evidence of required monitoring is lacking.[22] Monitoring is essential for effective management of foreign assistance programs, and the failure to monitor can have serious adverse consequences. For example, in another inspection, OIG found that as a result of the lack of monitoring, the embassy did not determine until after the award periods were complete that the

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[19] OIG, *Audit of Department of State Administration of Public-Private Partnerships* (AUD-CGI-25-14, March 2025).

[20] OIG, *Audit of the Department of State's Monitoring of Anti-Corruption Programs and Activities in Central and Eastern Europe* (AUD-GEER-25-18, June 2025).

[21] OIG, *Inspection of Embassy Berlin and Constituent Posts, Germany* (ISP-I-25-03, December 2024); OIG, *Inspection of Embassy Jakarta and Constituent Posts*, Indonesia (ISP-I-25-01, January 2025); OIG, *Inspection of Embassy Tunis, Tunisia* (ISP-I-25-16, April 2025); OIG, *Inspection of Embassy Algiers, Algeria* (ISP-I-25-10).

(ISP-I-25-10, April 2025); OIG, *Inspection of Embassy Port of Spain, Trinidad and Tobago* (ISP-I-25-19, August 2025); OIG, *Inspection of Embassy Port Louis*, Mauritius (ISP-I-25-22, September 2025).

[22] OIG, *Inspection of Embassy Lusaka, Zambia* (ISP-I-25-14, June 2025); OIG, *Inspection of Embassy Muscat, Oman* (ISP-I-25-15, May 2025); OIG*, Inspection of Embassy Brazzaville, Republic of the Congo* (ISP-I-25-04, December 2024); OIG, *Inspection of the U.S. Mission to the Association of Southeast Asian Nations, Indonesia* (ISP-I-25-07, December 2024); OIG*, Inspection of Embassy Jakarta and Constituent Posts, Indonesia* (ISP-I-25-01, January 2025).

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objectives of several PEPFAR (President's Emergency Plan for AIDS Relief) grants had not been successfully achieved: one of the award recipients failed to complete the program, and four others revealed significant issues with program management.[23]

Challenges in this area are of particular significance in the context of the realignment of USAID functions to the Department, which included the transfer of approximately 900 awards valued at $78 billion.[24] OIG's report with oversight observations to inform the realignment noted that developing and implementing a plan to address longstanding issues related to federal award oversight, reporting, and documentation would help the Department effectively manage realigned USAID functions.[25] Similarly, our subsequent evaluation of the Department's approach to the realignment included recommendations to help ensure that the Department has the necessary leadership and plans in place such that bureaus, offices, and overseas posts with realignment responsibilities, including those related to award management responsibilities, have the appropriate resources and capacity to manage implementation processes.[26]

As of the end of FY 2025, OIG was tracking more than 130 open recommendations intended to improve oversight of contractors, grantees, and foreign assistance at the Department.

Progress

In FY 2025, the Department demonstrated it had taken the necessary actions to close more than 225 recommendations related to stewardship. This represents more than one-third of all recommendations closed during the year. For example, in an audit related to the Bureau of Overseas Buildings Operations' (OBO) efforts to commission buildings, OIG recommended that the Department (1) identify industry best practices for automating commissioning documentation, (2) develop an electronic commissioning platform, and (3) conduct a pilot program using the electronic platform that would allow commissioning tests to be created digitally and test results saved to an online repository.[27] In response, the Department developed

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[23] OIG, *Inspection of Embassy Kinshasa, Democratic Republic of the Congo* (ISP-I-25-05, February 2025).

[24] OIG, *Evaluation of the Department of State's Approach to Realigning U.S. Agency for International Development Functions* (AUD-GEER-25-20, May 2025).

[25] OIG, *Information Report: Oversight Observations To Inform Department of State Realignment of U.S. Agency for International Development Functions* (AUD-GEER-25-19, May 2025).

[26] OIG, *Evaluation of the Department of State's Approach to Realigning U.S. Agency for International Development Functions* (AUD-GEER-25-20, May 2025).

[27] OIG, *Management Assistance Report: Modernizing Processes To Maintain Overseas Buildings Operations Commissioning Documentation Is Needed* (AUD-MERO-19-31, June 2019), Recommendation 1.

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a new standardized project-delivery framework throughout the project lifecycle to better align with modern industry standards.

An audit of the plan, design, construction, and commissioning of a central power plant at U.S. Embassy Baghdad recommended that the Department develop, implement, and communicate a process to require documentation that comprehensive needs assessments are conducted, detailed options are discussed, and written justifications are made when deciding to construct major projects at overseas posts.[28] In response, the Department 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. In a final example, in an audit that focused on foreign assistance in the Philippines, OIG recommended that the Department enforce evaluation policies by developing and implementing an oversight plan to verify that bureaus and offices that are administering foreign assistance funding are implementing and adhering to the Foreign Aid Transparency and Accountability Act of 2016 and Department policies and procedures.[29] In response, the Department created and implemented an oversight plan consistent with policy guidelines, improving oversight and accountability processes for dispensing foreign assistance funding.

[28] 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). Recommendation 2.

[29] OIG, *Audit of Monitoring and Evaluating Department of State Foreign Assistance in the Philippines* (AUD-MERO-19-39, September 2019), Recommendation 24.

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APPENDIX A: U.S. DEPARTMENT OF STATE RESPONSE, AS PRINTED IN THE 2025 AGENCY FINANCIAL REPORT

United States Department of State

Washington, DC 20520

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MEMORANDUM

December 18, 2025

TO: Arne B. Baker, Senior Official Performing the Duties of the Inspector General, U.S. Department of State

FROM: Jason S. Evans, Under Secretary for Management

SUBJECT: Management's Response to the IG Statement on the Department's Major Management and Performance Challenges

The Department of State (Department) appreciates the Office of Inspector General's (OIG) comprehensive assessment of our Major Management and Performance Challenges for FY 2025. We value the OIG's oversight and recommendations, which are essential to our ongoing efforts to strengthen operations, enhance accountability, and advance our mission worldwide.

We acknowledge the three primary challenge areas identified by the OIG: Staffing and Organizational Structure, Safety and Security, and Stewardship. The Department is committed to addressing these challenges through targeted actions and continuous improvement.

Staffing and Organizational Structure - The Department recognizes the complexities associated with the ongoing reorganization and integration of select USAID functions. We are actively developing and implementing a comprehensive realignment plan, including clear milestones and strategic workforce planning initiatives. We will continue to monitor progress and adjust as needed to ensure effective integration and operational continuity.

Safety and Security - The Department takes safety and security seriously. Closing OIG recommendations related to the safety and security of our personnel, facilities, and information remains a top priority. We are taking steps to address identified deficiencies, including enhanced compliance monitoring, improved training, and the implementation of corrective actions at posts worldwide. The Department is committed to continue closing outstanding recommendations and

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will provide regular updates on progress, with the goal of resolving open safety and security issues as expeditiously as possible.

Stewardship - The Department is strengthening internal controls over financial and property management, as well as oversight of contracts, grants, and cooperative agreements. We are implementing new frameworks for asset management, contract oversight, and award monitoring, with a focus on transparency and accountability. The Department will continue to work with OIG to ensure that corrective actions are completed in a timely manner to ensure that tax-payer dollars are properly safeguarded and appropriately administered.

We appreciate the OIG's recognition of the Department's progress in closing recommendations and improving management practices. The Department will continue to collaborate with the OIG to provide objective assessments of progress and ensure that corrective actions are fully implemented. Where differences in assessment exist, we will provide clear explanations and supporting evidence.

The Department is committed to continuous improvement and effective stewardship of resources. We thank the OIG for its partnership and constructive recommendations, and we look forward to reporting further progress in the coming year.

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Payment Integrity Information Act Reporting

For over a decade, laws and regulations have evolved to improve payment accuracy and strengthen public confidence in Federal programs. Agencies are required to periodically review all programs and activities to identify those susceptible to significant improper payments, conduct payment recapture audits, and use the Government-wide Do Not Pay Initiative. OMB regulations also mandate extensive reporting. The Payment Integrity Information Act of 2019 (PIIA), enacted on March 2, 2020, repealed and replaced previous improper payment laws. PIIA unified and streamlined requirements to help agencies better identify and reduce improper payments. Not all improper payments are fraudulent or result in a loss to the government. An improper payment is any payment that should not have been made or was made in an incorrect amount under statutory, contractual, administrative, or other legal requirements.

The Department defines its programs and activities according to appropriations, further subdivided by operational funding worldwide. Comprehensive risk assessments of all programs are conducted every three years. In interim years, the Department assesses programs experiencing significant legislative changes or funding increases to determine continued low risk for significant improper payments, as defined by OMB thresholds.

In 2025, programs evaluated included the following: American Compensation; Foreign Locally Employed Staff Compensation; Foreign Service Annuities; Voluntary Contributions; Assessed Contributions; Post-Assignment Travel; Temporary Duty Travel; National Endowment for Democracy; Economic Support Fund; Diplomatic Policy and Support; Diplomatic and Support Programs; Diplomatic Programs, Terrorism related; Consular and Border Security Programs; Consular Information Technology and Security; Capital and Real Property Acquisitions Programs; Leaseholds and Functional Programs; Diplomatic Programs, Other Operations Programs; Overseas Programs; Worldwide Security Protection; International Security and Nonproliferation Programs; Security - Afghanistan, Pakistan; Embassy Operations; Construction; Project Construction - Major Rehabilitation; International Security Programs; Population Refugees and Migration Programs; International Cooperative

Administrative Support Services; Working Capital Fund Programs; Fulbright Program; Citizen Exchange Program; Educational Programs; Aviation, Anticrime, Interdiction and Related Programs; and Peacekeeping Operations Programs.

After these assessments, the Department determined that none of its programs in 2025 were susceptible to significant improper payments above OMB threshold levels. For detailed results from the Department's 2025 compliance with PIIA, please refer to OMB's the *Payment Accuracy* website.

Grants Programs

The Department continues to prioritize the timely closeout of Federal grants and cooperative agreements as a critical component of effective grant management, ensuring compliance with 2 CFR 200 and maintaining accountability across domestic bureaus and overseas posts. This fiscal year, the Department transitioned both domestic and overseas awards from the State Assistance Management System to MyGrants, a centralized, web-based platform, to streamline award management, financial reporting, and closeout procedures.

While this transition enhances efficiency, challenges persist, particularly with labor-intensive manual reconciliations between systems. To address these challenges, the Department has:

- **Collaborated with the Department of Health and Human Services:** Monthly meetings have expedited resolutions to closeout and reconciliation issues in the Payment Management System (PMS).
- **Supported entity registration:** Efforts to resolve registration delays in the Global Financial Management System and PMS have helped address barriers to closing older awards.

As of September 30, 2025, 2,896 awards totaling $35,013,973 remain expired but not yet closed. These awards include those for which the period of performance elapsed two or more years prior to September 30, 2025. A detailed breakdown is provided in Table 12.

The Department remains committed to addressing these challenges and improving the efficiency of the closeout process. Continued collaboration with interagency partners and internal stakeholders will ensure progress toward resolving outstanding awards and maintaining compliance with Federal financial reporting requirements.

Table 12. 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	1,527	372	440
Number of Grants/Cooperative Agreements with Undisbursed Balances	484	57	16
Total Amount of Undisbursed Balances	$ 29,407,123	$ 2,036,379	$ 3,570,471

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 2025, the Department assessed $3 million in penalties against one company, and collected $46.7 million of outstanding penalties from six companies. The balance outstanding as of September 30, 2025, was $42.7 million. Table 13 lists the current penalty level for infractions governed by the Department.

Table 13. 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	2025	$1,271,078	90 Federal Register (FR) 1866-1868 (January 10, 2025)
Arms Export Control Act of 1976, 22 U.S.C. 2779a	International Traffic in Arms Regulations Violations – Prohibition on Incentive Payments	1994	2025	$1,055,721	90 FR 1866-1868 (January 10, 2025)
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	2025	$1,256,607	90 FR 1866-1868 (January 10, 2025)
Chemical Weapons Convention Act of 1998, 22 U.S.C. 6761(a)(1)(A)	Prohibited Acts Relating to Inspections	1998	2025	$48,119	90 FR 1866-1868 (January 10, 2025)
Chemical Weapons Convention Act of 1998, 22 U.S.C. 6761(a)(1)(B)	Recordkeeping Violations	1998	2025	$9,624	90 FR 1866-1868 (January 10, 2025)
False Claims Act of 1986, 31 U.S.C. 3729-3733	Penalty Imposed on Persons and Companies Who Defraud Governmental Programs	1986	2025	$14,308 – $429,275	90 FR 1866-1868 (January 10, 2025)
Limitation on use of appropriated funds, 31 U.S.C. 1352	Penalties for Both Improper Expenditures and Failure to Disclose First Time Offenders	1989	2025	$24,726	90 FR 1866-1868 (January 10, 2025)
Limitation on use of appropriated funds, 31 U.S.C. 1352	Penalties for Both Improper Expenditures and Failure to Disclose. Other Offenders	1989	2025	$25,132 – $251,322	90 FR 1866-1868 (January 10, 2025)

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 imposed 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 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 $6.1 billion in 2025. 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 consular services. In determining the appropriate level, 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.

Last 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, 2025, the proposed fee change had not been finalized.

[1] 88 Fed. Reg. 67687 (October 2, 2023).

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 and UNESCO Heritage Assets

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 of 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.

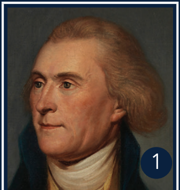
Financial Reporting-Related Legislation

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. This section excludes routine reauthorizations and recurring appropriations. Table 14 identifies the legislation, including hyperlinks.

Table 14. Financial Reporting-Related Legislation

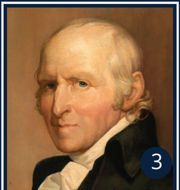
Statutory Authority	Public Law Citation	Explanation
Prior Year:		
Emergency Supplemental Appropriations, including: Israel Security Supplemental Appropriations Act, 2024 (Division A) Ukraine Security Supplemental Appropriations Act, 2024 (Division B) Indo-Pacific Security Supplemental Appropriations Act, 2024 (Division C)	*Public Law No. 118-50*	Provided emergency national security supplemental funding.
Current Year:		
Rescissions Act of 2025	*Public Law No. 119-28*	Rescinded certain budget authority.

U.S. Secretaries of State Past and Present

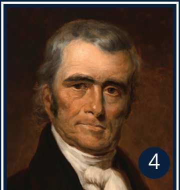


Thomas Jefferson (1790-1793)

Edmund Jennings Randolph (1794-1795)

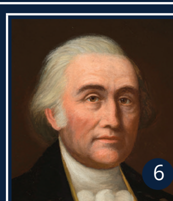


Timothy Pickering (1795-1800)

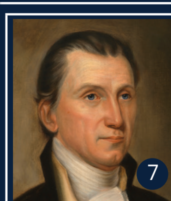


John Marshall 1800-1801

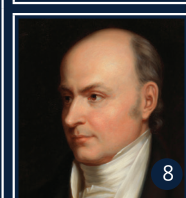
James Madison (1801-1809)



Robert Smith (1809-1811)

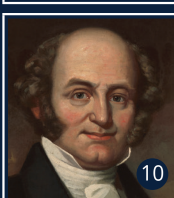


James Monroe (1811-1817)



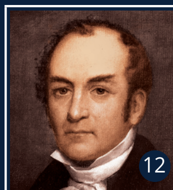
John Quincy Adams (1817-1825)

Henry Clay (1825-1829)

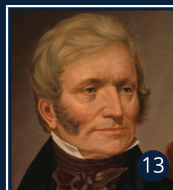


Martin Van Buren (1829-1831)

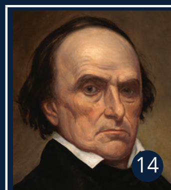
Edward Livingston (1831-1833)



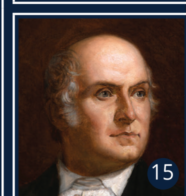
Louis McLane (1833-1834)



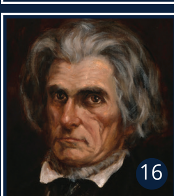
John Forsyth (1834-1841)



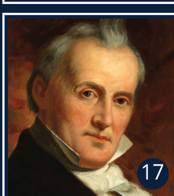
Daniel Webster (1841-1843)



Abel Parker Upshur (1843-1844)

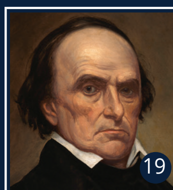


John Caldwell Calhoun (1844-1845)

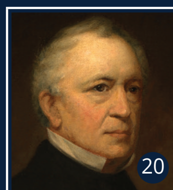


James Buchanan (1845-1849)

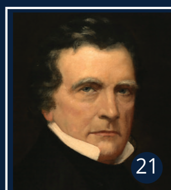
John Middleton Clayton (1849-1850)



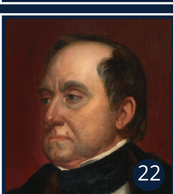
Daniel Webster (1850-1852)



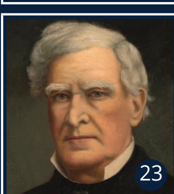
Edward Everett (1852-1853)



William Learned Marcy (1853-1857)

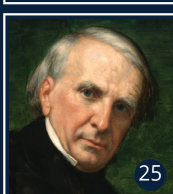


Lewis Cass (1857-1860)

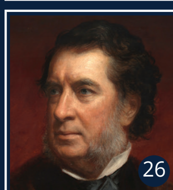


Jeremiah Sullivan Black (1860-1861)

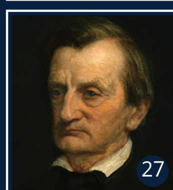
William Henry Seward (1861-1869)



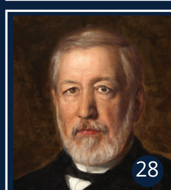
Elihu Benjamin Washburne (1869-1869)



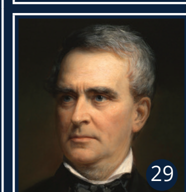
Hamilton Fish (1869-1877)



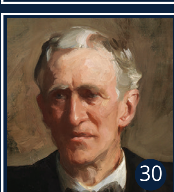
William Maxwell Evarts (1877-1881)



James Gillespie Blaine (1881-1881)

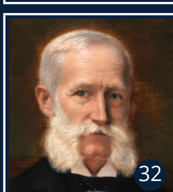


Frederick Theodore Frelinghuysen (1881-1885)

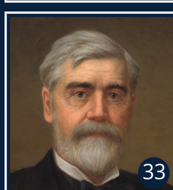


Thomas Francis Bayard (1885-1889)

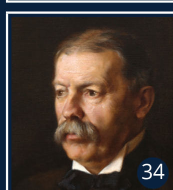
James Gillespie Blaine (1889-1892)



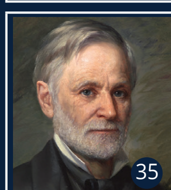
John Watson Foster (1892-1893)



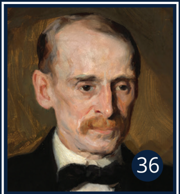
Walter Quintin Gresham (1893-1895)



Richard Olney (1895-1897)

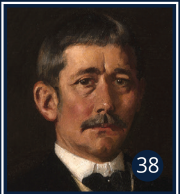


John Sherman (1897-1898)

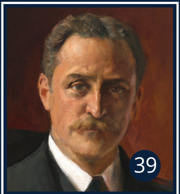


William Rufus Day (1898-1898)

John Milton Hay (1898-1905)

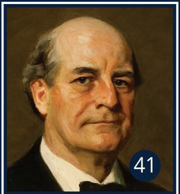


Elihu Root (1905-1909)

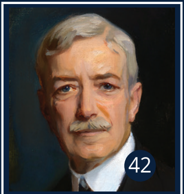


Robert Bacon (1909-1909)

Philander Chase Knox (1909-1913)

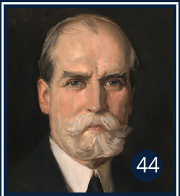


William Jennings Bryan (1913-1915)



Robert Lansing (1915-1920)

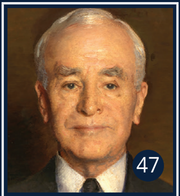
Bainbridge Colby (1920-1921)



Charles Evans Hughes (1921-1925)

Frank Billings Kellogg (1925-1929)

Henry Lewis Stimson (1929-1933)

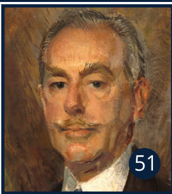


Cordell Hull (1933-1944)

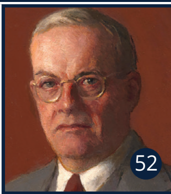
Edward Reilly Stettinius Jr. (1944-1945)

James Francis Byrnes (1945-1947)

George Catlett Marshall (1947-1949)

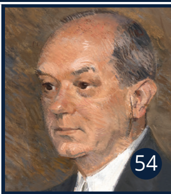


Dean Gooderham Acheson (1949-1953)



John Foster Dulles (1953-1959)

Christian Archibald Herter (1959-1961)



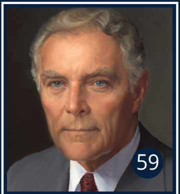
David Dean Rusk (1961-1969)

William Pierce Rogers (1969-1973)

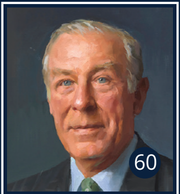
Henry A. Kissinger (1973-1977)

Cyrus Roberts Vance (1977-1980)

Edmund Sixtus Muskie (1980-1981)



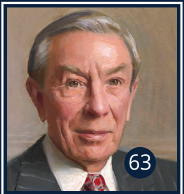
Alexander Meigs Haig Jr. (1981-1982)



George Pratt Shultz (1982-1989)

James Addison Baker III (1989-1992)

Lawrence Sidney Eagleburger (1992-1993)



Warren Minor Christopher (1993-1997)

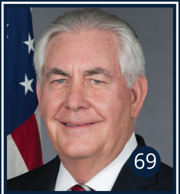
Madeleine Korbel Albright (1997–2001)

Colin Luther Powell (2001-2005)

Condoleezza Rice (2005-2009)

Hillary Rodham Clinton (2009-2013)

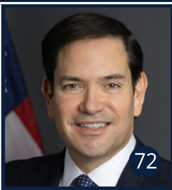
John Forbes Kerry (2013-2017)



Rex Wayne Tillerson (2017-2018)

Michael R. Pompeo (2018-2021)

Antony J. Blinken (2021-2025)



Marco A. Rubio (2025-Present)

More information can be found on the Department's Biographies of the Secretaries of State web page.

Appendices

Appendix A: Abbreviations and Acronyms

An asterisk represents affiliation with the Department of State, such as a bureau, office, or system.

ADA	Antideficiency Act
AFR	Agency Financial Report
AI	Artificial Intelligence
AIDS	Acquired Immunodeficiency Syndrome
APG	Agency Priority Goal
APP	Annual Performance Plan
Appendix A	OMB Circular A-123, Appendix A
APR	Annual Performance Report
ART	Antiretroviral Therapy
ASEAN	Association of Southeast Asian Nations
BI	Business Intelligence
BSM	Budget System Modernization*
CARS	Central Accounting Reporting System
CBSP	Consular and Border Security Programs*
CEAR	Certificate of Excellence in Accountability Reporting
CFO	Chief Financial Officer
CFR	Code of Federal Regulations
CGFS	Bureau of the Comptroller and Global Financial Services*
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*
COTS	Commercial Off-the-Shelf
CSRS	Civil Service Retirement System
DCP	Defined Contribution Plan
Department	U.S. Department of State*
DM&R	Deferred Maintenance and Repairs
DOL	U.S. Department of Labor
DP	Diplomatic Programs

DT	Bureau of Diplomatic Technology*
EO	Executive Order
ESCM	Embassy Security, Construction, and Maintenance*
Evidence Act	Foundations for Evidence-Based Policymaking Act of 2018
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; Financial Report of the U.S. Government
FSN	Foreign Service National
FSN DCF	Foreign Service National Defined Contributions Fund
FSO	Foreign Service Officer
FSPS	Foreign Service Pension System
FSRDF	Foreign Service Retirement and Disability Fund
FSRDS	Foreign Service Retirement and Disability System
FWCB	Federal Workers' Compensation Benefits
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAAS	Generally Accepted Auditing Standards
GAO	U.S. Government Accountability Office
GDP	Gross Domestic Product
GFACS	Global Foreign Affairs Compensation System

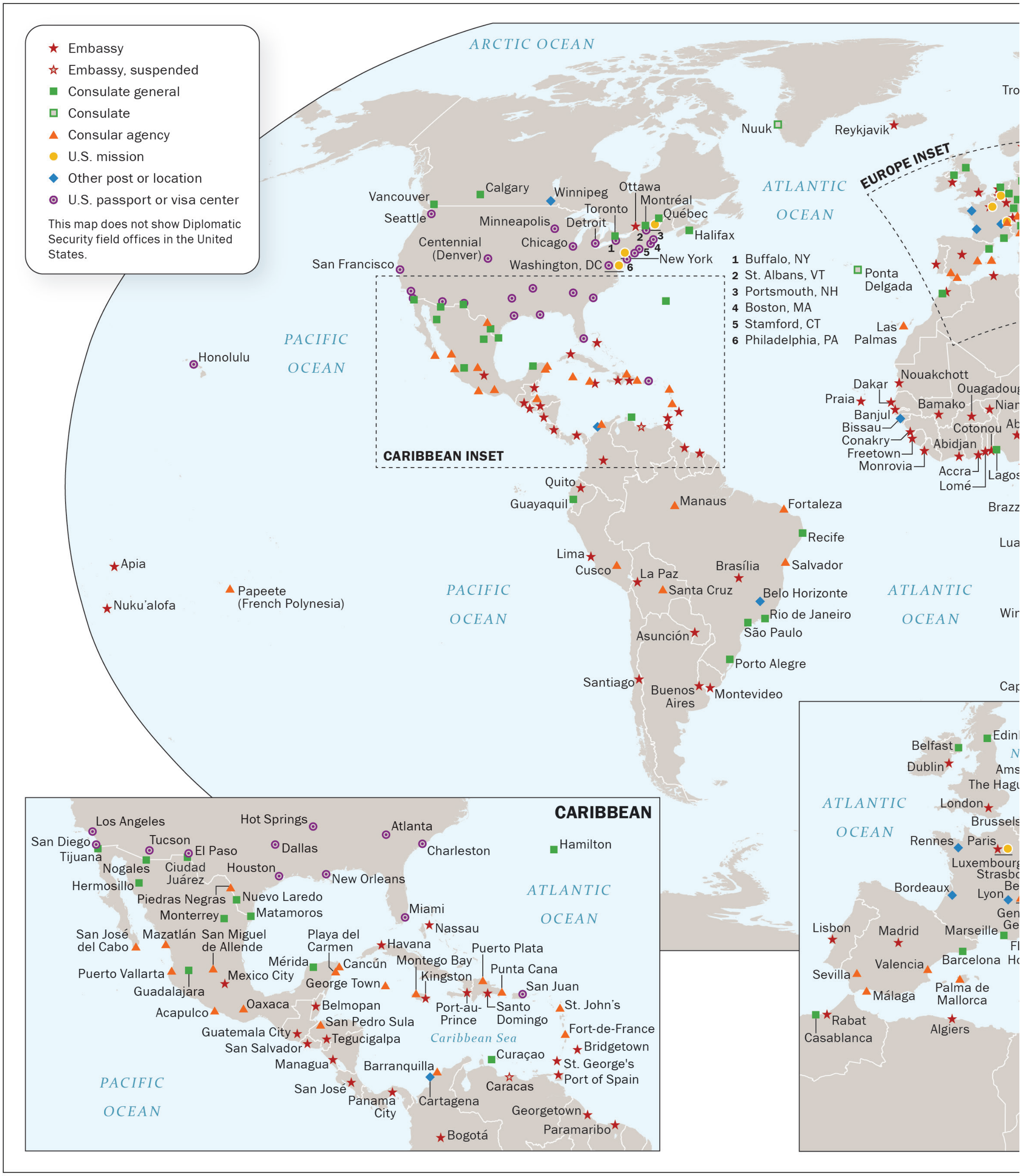
GFMS	Global Financial Management System*
GovTA	Government Time and Attendance
GPRA	Government Performance and Results Act of 1993
GSA	U.S. General Services Administration
GTAS	Government-wide Treasury Account Symbol Adjusted Trial Balance System
HHS	U.S. Department of Health and Human Services
HIV	Human Immunodeficiency Virus
IAS	International Accounting Standards
IBIS	Integrated Budget Intelligence System*
IBWC	International Boundary and Water Commission
ICA	Impoundment Control Act
ICAO	International Civil Aviation Organization (UN)
ICASS	International Cooperative Administrative Support Services*
ICS	Integrated Country Strategies
INL	Bureau of International Narcotics and Law Enforcement Affairs*
IO	Bureau of International Organizations*
IO&P	International Operations and Programs
IPP	Invoice Processing Platform
ISP	Inspection*
ISSO	Information Systems Security Officer
IT	Information Technology
ITSI	International Technology Security and Innovation
IUS	Internal Use Software
LE Staff	Locally Employed Staff*
LSSS	Local Social Security System
MCSC	Management Control Steering Committee*
NADR	Nonproliferation, Antiterrorism, Demining, and Related Programs
NATO	North Atlantic Treaty Organization
NIST	National Institute of Standards and Technology
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
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)
PPA	Prompt Payment Act
PrEP	Pre-exposure Prophylaxis
RFMS	Regional Financial Management System*
RFMS/C	Regional Financial Management System/Cashiering*
RFMS/M	Regional Financial Management System/Momentum*
RIF	Reduction in Force
RSI	Required Supplementary Information
RTU	Right-to-Use
SAT	Senior Assessment Team*
SCNP	Statement of Changes in Net Position
SFFAS	Statement of Federal Financial Accounting Standards
SID	Software in Development
SoA	Statement of Assurance
SoAP	Statement of Assurance Processing Application*
SOC	Service Organization Controls
SRM	Sustainment, Restoration, and Modernization
Statements	Principal Financial Statements
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 Obligations

UN	United Nations
UNEP	United Nations Environment Programme (UN)
UNESCO	United Nations Educational, Scientific, and Cultural Organization (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
WebRABIT	Web Resource Allocation and Budget Integration Tool

Appendix B: Department of State Locations

Department of State Locations



Locations shown based on latest available data. Boundary representation is not necessarily authoritative.

[*Department of State locations map long description*.]

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Appendix C: Tables and Figures

Tables

Figures

Acknowledgements

The Department of State's Agency Financial Report (AFR) is the product of the dedication and expertise of our staff in Washington, D.C., and at posts around the world. We extend our sincere appreciation to all who contributed to this year's report.

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Bureau of the Comptroller and Global Financial Services

An electronic version is available on
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Bureau of Global Public Affairs
December 2025

Note: The Bureau of Global Public Affairs, Office of Platforms assisted the Bureau of the Comptroller and Global Financial Services with the production of the *2025 Agency Financial Report*.

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RSS Feeds: *www.state.gov/rss-feeds/*

U.S. Department of State: *www.state.gov*

X: *www.x.com/StateDept*

YouTube: *www.youtube.com/statedept*

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