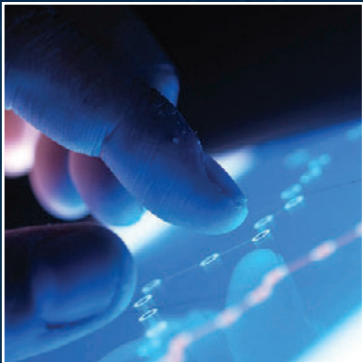




UNITED STATES DEPARTMENT OF STATE Fiscal Year 2022 Agency Financial Report

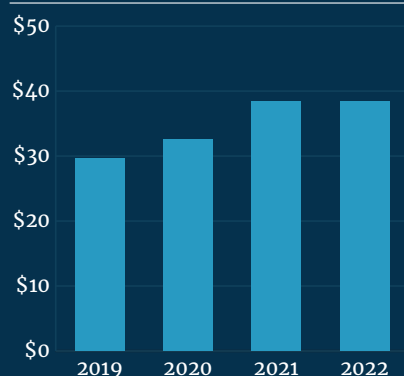


DATA INFORMED DIPLOMACY

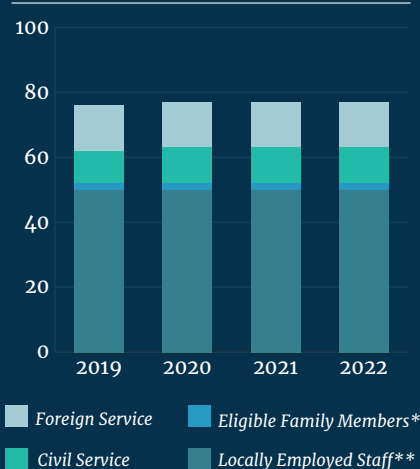
2022' Highlights (dollars in billions)	Percent Change 2022 over 2021	2022	2021	2020	2019
Balance Sheet Totals as of September 30					
Total Assets	+4%	\$ 116.0	\$ 111.9	\$ 109.7	\$ 109.0
Total Liabilities	+14%	40.8	35.8	33.0	32.4
Total Net Position	-1%	75.2	76.1	76.7	76.6
Results of Operations for the Year Ended September 30					
Total Net Cost of Operations	—	\$ 38.4	\$ 38.4	\$ 32.6	\$ 29.7
Budgetary Resources for the Year Ended September 30					
Total Budgetary Resources	+4%	\$ 83.1	\$ 80.1	\$ 77.1	\$ 74.9

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

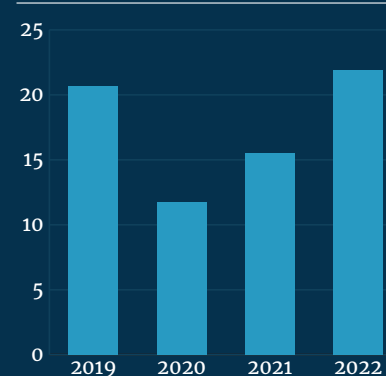
Total Net Cost of Operations
(dollars in billions)



State Department Employees
(in thousands)



Number of Passports Issued
(books and cards) (in millions)

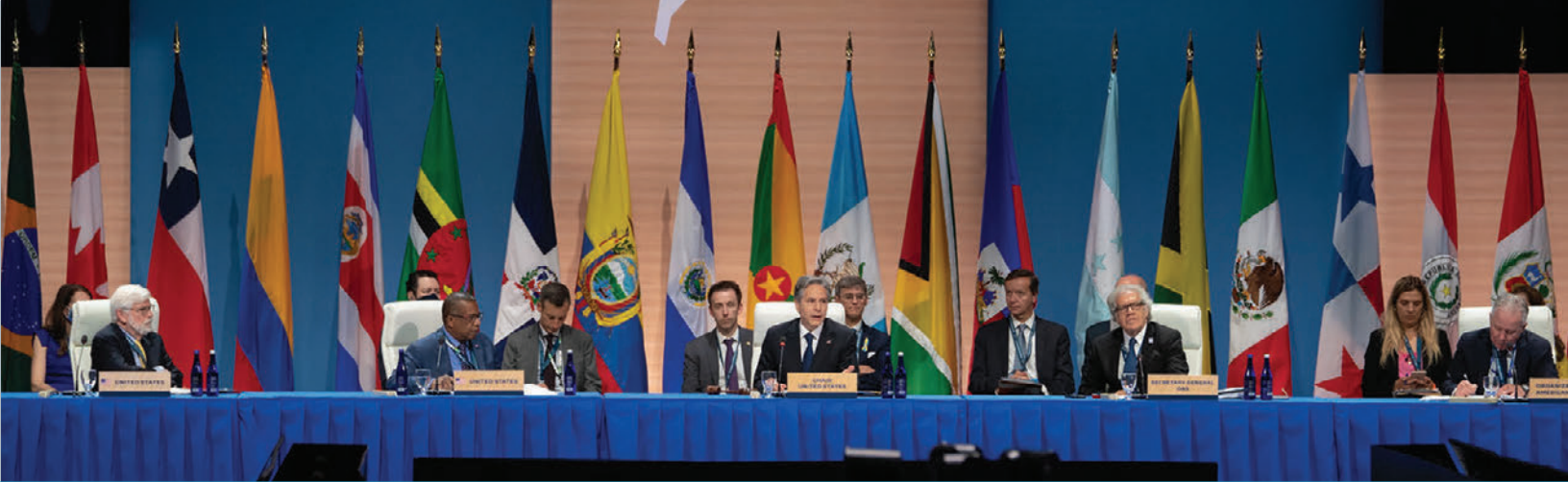


* Eligible Family Members include State only eligible family members and do not include the inactive reserves.

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

ABOUT THE COVER

In recent years, the Department has been working to harness the power of data to tackle challenges and uncover insights to advance diplomacy. Making data and data analytics accessible, interoperable, and actionable across the enterprise is a key component of this effort. This cover montage highlights important events and examples of data informed diplomacy at the Department of State. From top to bottom, left to right, the images include: (row 1, image 2) Staff from M/SS Center for Analytics demonstrate the Diversity, Equity, Inclusion and Accessibility Baseline Report Dashboard to Director General, Marcia Bernicat and Chief Data Officer, Matthew Graviss; (row 1, image 4) Chief Diversity and Inclusion Officer Ambassador Gina Abercrombie-Winstanley sits for a photo with members from the Charleston Regional Center Diversity, Equity, Inclusion and Accessibility Committee during a visit to conduct a hybrid Town Hall; (row 2, image 1) Assistant Secretary of State for Diplomatic Security Gentry Smith tours NASA's Johnson Space Center to learn about NASA's mission and meet Astronaut Jeanette Epps, NASA's first Black woman astronaut to fly to the International Space Station on a mission in orbit; (row 2, image 3) Secretary Blinken speaks at the "Global Emerging Technology Summit: Advancing Security, Prosperity and Innovation," hosted by the National Security Commission on Artificial Intelligence; (row 3, image 2) Deputy Secretary of State for Management and Resources Brian McKeon signs the Department's inaugural Enterprise Data Strategy; and (row 3, image 4) Deputy Secretary of State Wendy Sherman visits Africell, a U.S. company expanding 5G access, in Luanda, Angola.



Secretary Blinken leads a meeting of the Summit Implementation Review Group at the Summit of the Americas in Los Angeles, California, June 8, 2022. *Department of State*

Table of Contents

2

Introduction

- 2 About This Report
- 3 How This Report is Organized

4

Message from the Secretary

7

Section I: Management's Discussion and Analysis

- 8 About the Department
- 15 Strategic Goals and Government-wide Management Initiatives
- 17 Performance Summary and Highlights
- 23 Financial Summary and Highlights
- 34 Analysis of Systems, Control, and Legal Compliance
- 39 Forward-Looking Information

45

Section II: Financial Section

- 46 Message from the Comptroller
- 48 OIG Transmittal and Independent Auditor's Report
- 61 Comptroller Response to the OIG
- 63 Introducing the Principal Financial Statements
 - 64 Consolidated Balance Sheet
 - 65 Consolidated Statement of Net Cost
 - 66 Consolidated Statement of Changes in Net Position
 - 67 Combined Statement of Budgetary Resources
- 68 Notes to the Principal Financial Statements
- 109 Required Supplementary Information

114

Section III: Other Information

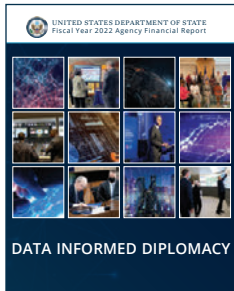
- 115 Summary of Financial Statement Audit and Management Assurances
- 116 The Department's Challenges and Management's Response
- 133 Payment Integrity Information Act Reporting
- 134 Grants Programs
- 135 Climate-Related Financial Risk
- 138 Federal Civil Penalties Inflation Adjustment Act
- 139 Resource Management Systems Summary
- 145 Heritage Assets

152

Appendices

- 153 Appendix A: Abbreviations and Acronyms
- 156 Appendix B: Department of State Locations
- 158 Acknowledgements

About This Report



The U.S. Department of State's (Department) *Agency Financial Report* (AFR) for Fiscal Year (FY) 2022 provides an overview of the Department's financial and performance data to help Congress, the President, and the public assess our stewardship over the resources entrusted to us.

This report is available at the Department's website (www.state.gov/plans-performance-budget/agency-financial-reports) and includes sidebars, links, and information that satisfies the reporting requirements contained in the following legislation:

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

The AFR is the first of a series of two annual financial and performance reports the Department will issue. The reports include: (1) an *Agency Financial Report* issued in November 2022; and (2) an agency *Annual Performance Plan and Annual Performance Report* issued in March 2023. These reports will be available online at www.state.gov/plans-performance-budget.

Note: Throughout this report all use of year indicates fiscal year.

Certificate of Excellence in Accountability Reporting

In April 2022, the U.S. Department of State received the *Certificate of Excellence in Accountability Reporting* (CEAR) from AGA for its Fiscal Year 2021 Agency Financial Report. The CEAR is the highest form of recognition in Federal Government management reporting. The CEAR Program was established by AGA, in conjunction with the Chief Financial Officers Council, to further performance and accountability reporting. This represents the 17th time the Department has won the CEAR award.



How This Report is Organized

The Department's AFR for 2022 provides financial and performance information for the fiscal year beginning October 1, 2021, and ending on September 30, 2022, with comparative prior year data, where appropriate. The AFR demonstrates the agency's commitment to its mission and accountability to Congress and the American people. This report presents the Department's operations, accomplishments, and challenges. The AFR begins with a message from the Secretary of State, Antony J. Blinken. This introduction is followed by three main sections and appendices. In addition, a series of "In Focus" sidebars are interspersed to present information on the Department's important work related to the theme of this year's AFR, *Data Informed Diplomacy*.

Section I: Management's Discussion and Analysis

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

Section II: Financial Section

Section II begins with a message from the Comptroller. This section details the Department's financial status and includes the audit transmittal letter from the Inspector General, the independent auditor's reports, and the audited financial statements and notes. The Required Supplementary Information included in this section provides a combining statement of budgetary resources, a report on the Department's year-end deferred maintenance and repairs, and information on land.

Section III: Other Information

Section III begins with a summary of the results of the Department's financial statement audit and management assurance, followed by the Inspector General's statement on the agency's management and performance challenges and management's responses. The section also provides information on payment integrity, grants programs, climate-related financial risk, Federal civil penalties inflation adjustments, resource management systems, and the Department's heritage assets.

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 map of the Department of State's locations across the globe.



Secretary Blinken poses for a photo at the Launch of the Alliance for Afghan Women's Economic Resilience, on the margins of the 77th Session of the United Nations General Assembly High Level Week in New York City, New York, September 20, 2022. *Department of State*



Message from the Secretary



Secretary Blinken hosts and delivers remarks at an Equity Town Hall with Department employees in Washington, D.C., May 31, 2022.
Department of State

The Department of State’s Agency Financial Report for Fiscal Year 2022 reflects the Administration’s and my commitment to modernize American diplomacy so that we can continue to seize the opportunities and meet the challenges of the decades ahead.

In the last year, the world has seen significant upheaval, from Russia’s unprovoked war of aggression in Ukraine

to a growing food security crisis and accelerating climate impacts. The Department of State is at the forefront of the global response to those challenges, even as we also continue to manage strategic competition with the People’s Republic of China; work to end conflicts in Ethiopia, Yemen, and elsewhere; and push back against the rising tide of authoritarianism and the threat it poses to human rights around the world.

But this also is a moment of opportunity. Last fall, I set out an ambitious modernization agenda for the Department and for U.S. diplomacy to ensure we are equipped to meet the tests of the 21st Century. In March, the Department and USAID released our Joint Strategic Plan for FY 2022 through FY 2026.

As part of these efforts, we are building our capacity and expertise in areas — particularly climate, cyberspace, emerging technologies, and global health security — that will be increasingly critical to our national security in the years ahead. We are encouraging innovation and pursuing reforms that will enable us to stand up new missions and deploy U.S. diplomats when and where they are needed in the field. We're working with Congress to build our ranks so that we can give our workforce the time and opportunities to hone skills and deepen expertise. To make sure we win the competition for talent, we've launched a new retention unit and are implementing a "Future of Work" plan for a more agile workforce. And we are making headway in ensuring our diplomatic workforce reflects America's remarkable diversity — armed with a five-year Diversity, Equity, Inclusion, and Accessibility Strategic Plan; the new Colin Powell Leadership Program to bring diverse undergraduates and graduates into the Department; and, for the first time, paid internships at State.

As this report will further highlight, the modernization agenda relies on harnessing technology and data to inform and advance our diplomacy. Nearly everything we do in our diplomacy — from our engagement in multilateral institutions to our consular work, from foreign assistance and economic statecraft to cybersecurity and supporting our workforce — benefits from and depends on stronger data and sharper analysis.

To deliver, our team needs the skills, expertise, and tools to turn data into insights. That's why, this past year, we launched the Department's first-ever Enterprise Data Strategy. The strategy will help ensure the Department's workforce is equipped with timely, data informed insights to make key mission and management decisions; promote training for increased data fluency; and improve data governance to make certain data is used ethically and securely. It connects our workforce to vast and diverse data assets to enhance decision-making at the speed of global events, making data a true tool of diplomacy in the digital age.

The ambitions of our modernization effort are great, but so is our responsibility to the American people. We have a historic opportunity to shape the future of this Department and that of American diplomacy, and I'm determined to do everything I can to help us realize it.

This AFR is our principal report to the President, Congress, and the American people on State's management of the public funds entrusted to us to achieve our goals and objectives, enabling our leadership of U.S. diplomacy. The Department maintains a comprehensive, sound system of management controls to ensure this AFR is complete and reliable. The Department conducted its assessment of the effectiveness of internal controls over financial reporting in accordance with Appendix A of OMB Circular A-123. Based on the results of this assessment and the results of the independent audit, I can provide reasonable assurance that the FY 2022 financial statements are complete and reliable.

Moreover, the reports on performance and additional financial information in the AFR should strengthen public confidence in the Department's management. The Message from the Comptroller in this AFR highlights progress made to improve financial management this past year and includes the results of the independent audit of our FY 2022 financial statements.



Antony J. Blinken
Secretary of State
November 15, 2022

What is Data Informed Diplomacy?

Data informed diplomacy provides the framework whereby the Department will leverage data to shape American foreign policy while upholding the highest levels of scientific and data integrity. Now more than ever, evidence-based decisions are critical to protecting the values, security, prosperity, and foreign interests of the American people. Deputy Secretary of State for Management and Resources Brian P. McKeon reaffirmed the Biden Administration’s commitment to evidence-based decision making that empowers our world class workforce, saying “Our people require accurate data at their fingertips, where they are and when they need it. To thrive in this data-powered world, our team needs the skills, expertise, and tools to turn data into insights.”

Data informed diplomacy emphasizes the cultivation of a data culture through five guiding principles where data is shared, widely applied, responsibly governed, ethically utilized, and secure. Culture is not easy to change, but nothing worth doing comes easy. Data informed diplomacy requires bringing new data science skillsets into government and enhancing the capabilities of our existing workforce to meet the needs of the 21st Century.

It also means ensuring the workforce can access the Department’s existing data products and breaking down silos to promote collaboration and discover new insights. Every day, we are faced with new and complex issues that transform the way the Department uses data. And if these past few years have proven anything, it is that our people are ready to take on that challenge – whether that includes helping to make our partners safer, ensuring private data stays out of the hands of malicious actors, or coordinating complex logistics across international boundaries to transport refugees to safety.

Data informed diplomacy plays an integral role in every Department related activity. Through data, the Secretary



Secretary Blinken delivers remarks on Modernizing American Diplomacy at the Foreign Service Institute in Arlington, Virginia, October 27, 2021. *Department of State*

of State is better equipped to address domestic and international issues with partners. Such issues range in variety from climate change to the Afghanistan refugee crisis. Data enables the Department to position itself to adapt to the ever-changing global landscape. For example, data allows us to track our performance towards fostering the DEIA initiative or to identify patterns that warn us about global food insecurity.

Data informed diplomacy means equipping the global workforce with the right tools, to make the right decisions, at the right time. We in the Department of State know well that the world will never stop changing, and with Data Informed Diplomacy, the Department will be equipped not only to handle but to lead this change.

Section I:

Management's Discussion and Analysis

About the Department

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

Our Mission

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

Our History

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

Since the 1790s, the Department has repeatedly transformed to meet evolving challenges posed by an ever-changing world. The accelerating pace of communication from the hand-written correspondence conveyed over water in the late 18th Century to the instantaneous global diffusion of written, audio, and visual content over the Internet today has altered in fundamental ways how people in different countries interact with one another. These advances have also revolutionized how U.S. diplomats do their work, both at headquarters and at foreign posts. The Internet and related technologies enable tighter coordination than ever before between policymakers, diplomats, and external partners to, “protect and promote U.S. security, prosperity, and democratic values and shape an international environment in which all Americans can thrive.”

As much as the conduct of diplomacy has changed through the centuries, the reporting work undertaken by U.S. diplomats has been a vital and consistent contribution to the Department's mission. Historically, such reporting,

Did You Know?

Antony J. Blinken has visited more than 40 countries during his 21 months as Secretary of State. He travels to all corners of the world to do his job. His duties as Secretary include acting as the President's representative at all international forums, negotiating treaties and other international agreements, and conducting everyday, face-to-face diplomacy.



More information on the Secretary's travel can be found at: <https://www.state.gov/secretary/travel/index.htm>

like George Kennan's famous “Long Telegram,” provided officials in Washington, D.C. perspective and insight about what other governments have wanted to do and how they intended to do it. Reporting also offers feedback for understanding the impacts of U.S. engagement and assistance programs. Even as the Department develops more sophisticated ways to harness other sources of data to equip the President and other policymakers to make better-informed decisions, diplomatic reporting remains a unique and crucial window into developments abroad.

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



More information on the duties of the Secretary can be found at: <https://www.state.gov/duties-of-the-secretary-of-state>

Our Organization and People

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

The Department is headquartered in Washington, D.C. and has an extensive global presence, with more than 270 embassies, consulates, and other posts in over 180 countries. A two-page map of the Department's locations appears in Appendix B. The Department also operates several other types of offices, mostly located throughout the United States, including 29 passport agencies and centers, two foreign press centers, one reception center, five logistic support offices for overseas operations, 30 security offices, and two financial service centers.

The Foreign Service officers and Civil Service employees in the Department and U.S. missions abroad represent the American people. They work together to achieve the goals and implement the initiatives of American foreign policy. The Foreign Service is dedicated to representing America

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

Host country Foreign Service National (FSN) and other Locally Employed (LE) staff contribute to advancing the work of the Department overseas. Both FSNs and other LE staff contribute local expertise and provide continuity as they work with their American colleagues to perform vital services for U.S. citizens. At the close of 2022, the Department was comprised of nearly 77,500 employees.

The U.S. Department of State, with just 0.5 percent of the entire Federal budget, has an outsized impact on Americans' lives at home and abroad. For a relatively small investment, the Department yields a large return in a cost-effective way by advancing U.S. national security, promoting our economic interests, creating jobs, reaching new allies, strengthening old ones, and reaffirming our country's role in the world. The Department's mission impacts American lives in multiple ways.



Deputy Secretary of State Wendy Sherman holds a meet and greet with employees of U.S. Mission Gabon in Libreville, Gabon, May 6, 2022.
Department of State



Secretary Blinken holds a meet and greet at U.S. Embassy Kyiv in Kyiv, Ukraine, September 8, 2022. *Department of State*

These impacts include:

1. **We support American citizens abroad.** We provide emergency assistance to U.S. citizens in countries experiencing natural disasters or civil unrest. We assist with intercountry adoptions and work on international parental child abductions. In 2021, there were 1,785 adoptions to the United States, and 28 adoptions from the United States to other countries. In calendar year 2021, there were 796 children reported abducted to and from the United States, and we assisted in the return of 147 children to the United States.
2. **We create American jobs.** We directly support millions of U.S. jobs by promoting new and open markets for U.S. firms, protecting intellectual property, negotiating new U.S. airline routes worldwide, and helping American companies compete for foreign government and private contracts.
3. **We promote democracy and foster stability around the world.** Stable democracies are less likely to pose a threat to their neighbors or to the United States. We partner with the public and private sectors in countries in conflict to foster democracy and peace.
4. **We help to make the world a safer place.** Under the New Strategic Arms Reduction Treaty, we are reducing the number of deployed nuclear weapons to levels not seen since the 1950s. The Department has helped over 40 post-conflict countries clear millions of square meters of landmines and unexploded ordnance. We also work with foreign partners to strengthen international aviation and maritime safety and security.
5. **We save lives.** Strong bipartisan support for U.S. global health investments has led to worldwide progress against HIV/AIDS, tuberculosis, malaria, and polio. Better health abroad reduces the risk of instability and enhances our national security.
6. **We help countries feed themselves.** We help other countries plant the right seeds in the right way and get crops to markets to feed more people. Strong agricultural sectors lead to more stable countries.
7. **We help in times of crisis.** From natural disasters to famine to epidemics, our dedicated emergency professionals deliver assistance to those who need it most.
8. **We promote the rule of law and protect human dignity.** We help people in other countries find freedom and shape their own destinies. We advocate for the release of prisoners of conscience, prevent political activists from suffering abuse, train police officers to combat sex trafficking, and equip journalists to hold their governments accountable.
9. **We help Americans see the world.** The Department's Bureau of Consular Affairs supports and protects the American public. In 2022, we issued nearly 22 million passports and passport cards for Americans to travel abroad. We facilitate the lawful travel of international students, tourists, and business people to the United States, adding greatly to our economy. We provide information to help U.S. citizens assess risks of international travel and learn about steps to take to ensure their safety when traveling abroad.


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

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

Six regional bureaus support the Department's political affairs mission – each is responsible for a specific geographic region of the world. These include:

Did You Know?

Madeleine Korbel Albright was nominated to be the first woman Secretary of State. She was the 64th Secretary of State.


 More information on former Secretaries can be found at: <https://history.state.gov/departmenthistory/people/secretaries>

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

The Department also includes the Bureau of International Organization Affairs. This Bureau develops and implements U.S. policy in the United Nations, its specialized and voluntary agencies, and other international organizations. The Department's organization chart can be found at <https://www.state.gov/department-of-state-organization-chart>.



Secretary Blinken holds a meet and greet with U.S. Mission Indonesia in Jakarta, Indonesia, December 14, 2021. *Department of State*

Our Work at Home and Overseas

At home, the passport process is often the primary contact most U.S. citizens have with the Department of State. There are 29 domestic passport agencies and centers, and approximately 7,400 public and 670 Federal and military passport acceptance facilities. The Department designates many post offices, clerks of court, public libraries and other state, county, township, and municipal government offices to accept passport applications on its behalf.

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

Missions serve the needs of Americans traveling, working, and studying abroad, and supports Presidential and Congressional delegations visiting the country.

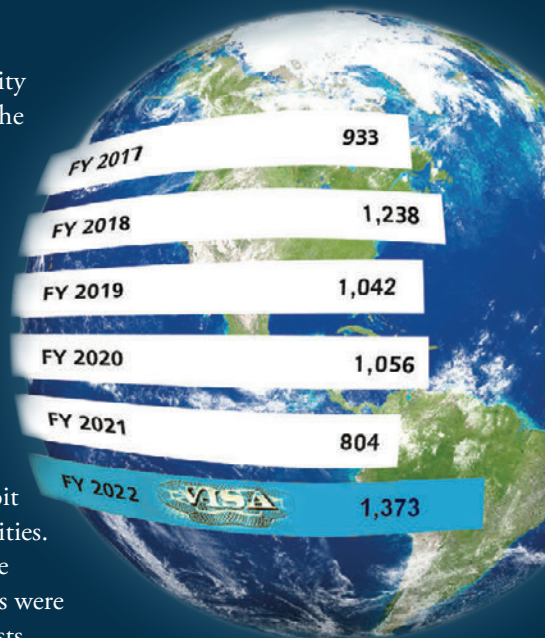
Every diplomatic mission in the world operates under a security program designed and maintained by the Department's Bureau of Diplomatic Security (DS). In the United States, DS investigates passport and visa fraud, conducts personnel security investigations, and protects the Secretary of State and high-ranking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

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

FOCUS

Number of Visa Crime Investigations Opened Globally

The Bureau of Diplomatic Security (DS) is the security and law enforcement arm of the Department. Visa crimes are international offenses that may start overseas but can threaten public safety inside the United States if offenders are not interdicted with aggressive and coordinated law enforcement action. DS agents and analysts observe, detect, identify, and neutralize networks that exploit international travel vulnerabilities. In 2022, 1,373 new cases were opened. In addition, 439 cases were closed and DS made 108 arrests.



DS investigated a case involving visa fraud. On August 4, 2022, a Federal grand jury in South Florida indicted Shi Jian Xiang, a high-profile Chinese fugitive, on two counts of fraud and misuse of U.S. nonimmigrant visas, was found guilty of all charges, facing up to 10 years in prison and a fine as much as \$250,000 when sentenced. More information on the case can be found at: <https://www.justice.gov/usao-sdfl/pr/bond-denied-chinese-businessman-charged-south-florida-federal-court-visa-fraud>.

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

Data Informed Public Diplomacy



Techwoman Emma Marie Ndongoma explains the hydropower process with a tool kit to a small group of students at the U.S. Embassy Kigali. *Department of State*

Social and digital media’s proliferation has empowered people worldwide to share their ideas in new and influential ways. To adapt to this rapidly changing global information environment, U.S. diplomats need access to the best possible data to understand domestic and overseas public opinion in ways that advance U.S. national interests and foster better understanding about the role of U.S. foreign policy. To address this need, the Department of State’s Under Secretary for Public Diplomacy and Public Affairs initiated a groundbreaking effort to replace a suite of legacy technology with a cutting-edge platform that provides public diplomacy (PD) practitioners with critical data about our diplomatic engagement efforts. This effort supports the Secretary’s agenda to Modernize American Diplomacy and a broader PD Modernization initiative that embraces an adaptive, policy centered, audience focused, and data informed approach to PD.

The new platform, PD Tools, provides an integrated suite of tools to support all aspects of conducting diplomatic engagement: strategic and detailed planning, budgeting, activity tracking, monitoring, and reporting. Combining these functionalities into one platform lets practitioners

seamlessly plan and execute public engagement programs without duplicative data entry while letting D.C. based stakeholders monitor and report on activities in real time. As a result, PD Tools ensures PD activities align with broader foreign policy goals of missions and the Department.

PD Tools lets the Department identify PD programming that supports foreign policy priorities such as gender equity and STEM education, as noted by the Keyword Data Call reports that show our work in regions under the Bureau of African Affairs (AF) towards advancing these themes.

In 2022, Missions Kenya and Rwanda used PD Tools to plan, prioritize, track, and report on initiatives providing science, technology, engineering, and math, entrepreneurship, and skills opportunities to women and youth. Mission Kenya’s “Access to Digital Literacy” program helped women and girls build better digital literacy skills to counter disinformation, and Mission Rwanda supported more activities related to women and girls than any other AF country, according to the AF Keyword Report. Capturing the lifecycle of initiatives like these in PD Tools helps missions not only track the success of their PD work but also communicate their ongoing progress towards advancing key foreign policy goals and objectives to Americans.



Bureau of Educational and Cultural Affairs English Language Access Microscholarship Program students celebrate at a virtual networking event for women in STEM and women entrepreneurs in U.S. Embassy Nairobi. *Department of State*

FSI: Building the Workforce for the Future



FSI student engages with a virtual reality headset in the Innovation Lab. *Department of State*

The State Department's Foreign Service Institute (FSI) is deeply committed to preparing U.S. diplomats and other Federal foreign affairs professionals for the challenges of 21st Century diplomacy. To fulfill FSI's mission and to support the Secretary's agenda to Modernize American Diplomacy, FSI is leveraging new technology, workforce systems, and practices to strengthen learning opportunities and effectiveness of Department personnel.

In partnership with the Department's Office of Management Strategy and Solutions' Center for Analytics and in support of Department's Enterprise Data Strategy (EDS), FSI offers a series of data literacy courses to advance the Department's efforts to bring data informed decision making into all aspects of U.S. foreign policy and internal operations. In 2022, 1,112 employees completed these data literacy courses, thereby raising to more than 4,000 the number of employees trained in data literacy since 2017.

In response to the rapidly evolving information technology landscape, FSI created a suite of courses that equip information technology (IT) professionals with new knowledge and skills to promote U.S. interests. Solutions@State empowers IT professionals to contribute to whole-of-mission efforts to solve problems. For example, IT professionals overseas now work with political and economic officers to capture and track open-source information on issues such as trafficking-in-persons and sanctions violations. Given the critical importance of technology in national security, the training breaks down the barriers between technical experts and the generalists who need to formulate policy guidance on technology issues.

Additionally, FSI produces three webinars that underscore the wide-ranging impact of data informed diplomacy and examine the relationship between emerging technology and foreign affairs. *FSI Tech Talks* deliver web-based training on the latest developments related to the Department's IT environment, helping to share cybersecurity best practices and new technologies among the workforce. Since 2020, *FSI Tech Talks* has hosted 151 webinars and served more than 14,000 Department employees. Around 200 people tune in to each *Tech in Focus* session and discuss the challenges and opportunities of data science, the future of the Internet, and U.S. leadership in emerging technology. *Conversations in Applied AI and Diplomacy* explores advancements in artificial intelligence technology and its impact on the future of diplomacy. These webinars feature experts from inside and outside the Department to expose State's workforce to emerging technology that aligns with Department goals and initiatives.

Looking forward, FSI is devoted to improving the substance and delivery of training for the Department's global workforce. In coordination with Department stakeholders, such as the Bureau of Information Resource Management, FSI is prototyping a "classroom of the future" to meet FSI's blended in-person and virtual instructional model. By focusing on evolving needs and emerging technologies, FSI is building the workforce of the future to achieve U.S. foreign policy goals.

Strategic Goals and Government-wide Management Initiatives

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

The Department of State advances the Administration's policy priorities by strengthening program and project design, tracking key performance metrics, 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 achieved more successful outcomes using evidence to inform policy, resource, and program decisions.



Managing for Results Framework

Joint State-USAID Strategic Goals

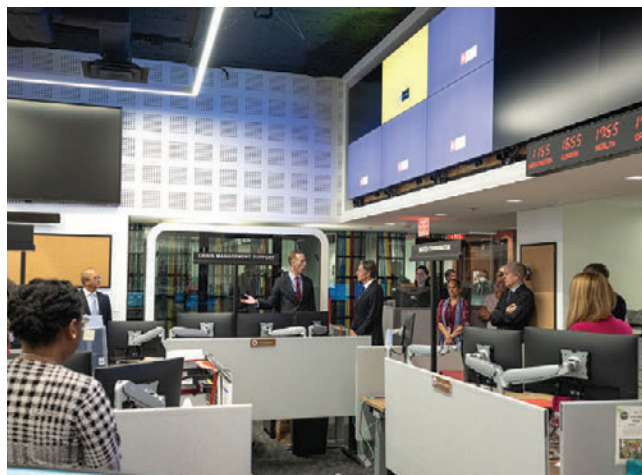
The Department develops and implements strategic plans at three organizational levels:

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

In March 2022, the Department and USAID published the FY 2022-2026 JSP, which established new strategic goals, strategic objectives, performance goals, metrics, and targets to advance the Administration's foreign policy and foreign assistance priorities. The JSP was developed through policy guidance from the Secretary of State, USAID Administrator, and the National Security Council. The FY 2022-2026 JSP contains five strategic goals and 19 strategic objectives that

directly support objectives of the National Security Strategy. These are found in the "FY 2022-2026 Joint Strategic Plan Framework."

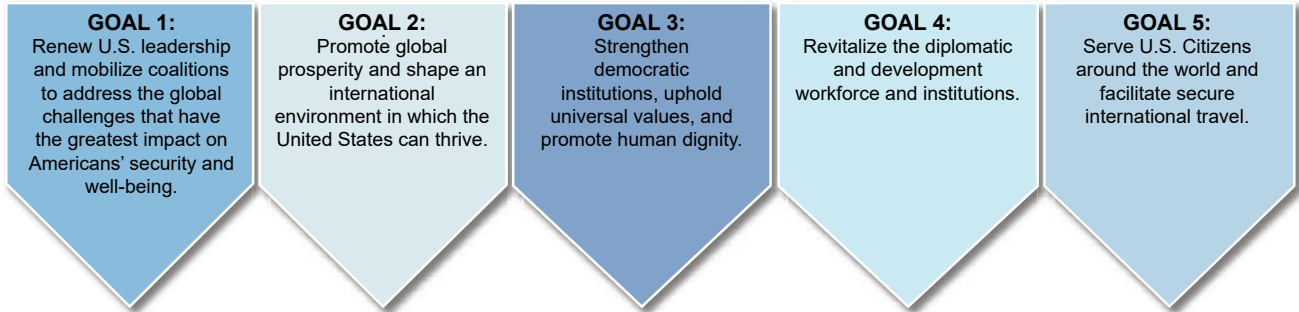
The FY 2022-2026 JSP further guides annual performance reporting in the State-USAID performance plans and reports and provides a roadmap for the policies and strategic planning that inform the new Joint Regional Strategies, Functional Bureau Strategies, and Integrated Country Strategies. Current bureau and country strategies are available to the public through the Department's website at <https://www.state.gov/plans-performance-budget/>.



Secretary Blinken participates in the ribbon cutting ceremony for the new Operations Center in Washington, D.C., September 16, 2022. *Department of State*



FY 2022-2026 JOINT STRATEGIC PLAN FRAMEWORK



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

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

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

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

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

<p>Objective 1.1: Strengthen global health security, combat infectious disease threats, and address priority global health challenges through bilateral engagement and within multilateral fora.</p>	<p>Objective 2.1: Promote a global economy that creates opportunities for all Americans.</p>	<p>Objective 3.1: Promote good governance and defend strong, accountable, and resilient democracies that deliver for their citizens.</p>	<p>Objective 4.1: Build and equip a diverse, inclusive, resilient, and dynamic workforce.</p>	<p>Objective 5.1: Support and serve American citizens traveling or residing abroad.</p>
<p>Objective 1.2: Secure ambitious climate mitigation and adaptation outcomes, including supporting effective Paris Agreement implementation.</p>	<p>Objective 2.2: Support inclusive and sustainable economic growth and opportunity for communities around the globe.</p>	<p>Objective 3.2: Advance equity, accessibility, and rights for all.</p>		
<p>Objective 1.3: Reinvigorate U.S. humanitarian leadership and provide lifesaving protection and assistance in response to international disasters and humanitarian crises overseas.</p>	<p>Objective 2.3: Support U.S. technological leadership, strengthen competitiveness, and enhance and protect the U.S. innovation base while leveraging technology to improve lives around the world.</p>	<p>Objective 3.3: Prevent, expose, and reduce corruption.</p>	<p>Objective 4.2: Modernize IT and leverage data to inform decision-making and support mission delivery.</p>	<p>Objective 5.2: Advance U.S. interests by facilitating legitimate travel to and from the United States.</p>
<p>Objective 1.4: Lead allies and partners to address shared challenges and competitors; prevent, deter, and resolve conflicts; and promote international security.</p>	<p>Objective 2.4: Strengthen U.S. and global resilience to economic, technological, environmental, and other systemic shocks.</p>	<p>Objective 3.4: Promote a safe, humane, and orderly immigration and asylum system, address the root causes of irregular migration collaboratively with our partners, and enhance protections for refugees and displaced persons.</p>		
<p>Objective 1.5: Enhance foreign publics' understanding of and support for the values and policies of the United States.</p>		<p>Objective 3.5: Improve inclusive and equitable health, education, and livelihood services, especially for women, youth, and marginalized groups.</p>		

Performance Summary and Highlights

Performance Reporting

The Department of State reports annual progress and results toward achieving the strategic objectives and performance goals articulated in the JSP via the Annual Performance Plan/Annual Performance Report (APP/APR).

The Department continually reviews performance progress against the JSP's strategic objectives in a variety of complementary fora throughout the year, including the Data Quality Assessment and the annual strategic reviews with Office of Management and Budget (OMB). The Department leverages data and evidence from these reviews to continually improve planning, performance, evaluation, and budgeting processes. These cumulative reviews foster a culture of continuous learning and improvement.

The complete analysis of 2022 performance data for the Department and USAID will be found in the 2024 APP/2022 APR, which will be published concurrently with the 2023 budget per OMB Circular A-11 in Spring 2023 and made available on www.state.gov.

The Department defines "major programs," as required in OMB Circular A-136, *Financial Reporting Requirements*, revised, as Strategic Goals of the JSP. These strategic goals are outlined below and are reflected in Section II: Financial Section, of this AFR, on the Consolidated Statement of Net Cost. The performance highlights included in this AFR represent the first three quarters of 2022.

Major Programs

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

U.S. foreign policy delivers security for the American people, creates economic opportunities, and addresses global challenges that affect Americans' lives directly. From Coronavirus Disease 2019 (COVID-19) and the climate crisis to unprecedented, forced migration and protracted humanitarian crises, some of the biggest challenges Americans face require collective global action, led by the United States working in concert with our partners and allies, and through international and multilateral institutions the United States helped build, shape, and lead.

2022 Highlights:

- The Department of State carried out 33 virtual or in-person consultations with other nations on climate-related issues including implementation of long terms goals to reduce national emissions and adapt to climate change.
- The Department suspended then re-established a U.S. diplomatic presence in Kyiv and participated in the Ukraine Recovery Conference in July 2022.
- To elevate cyberspace and digital policy issues, deepen worldwide partnerships and ensure the Department is organized to confront the challenges of cyber and technology, the Department created the new Bureau of Cyberspace and Digital Policy and a Special Envoy for Critical and Emerging Technology.

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

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

2022 Highlights:

- In 2022, the Department partnered with USAID to implement a meta-evaluation and meta-synthesis of both Department and USAID Economic Growth programs to gauge whether U.S. economic assistance made a sustainable impact in a partner's economic development and under what conditions.

- The Department released the Food Security Action Report (<https://www.state.gov/Food-Security-Action-Report/>) to build on the outcomes of the June 2022 G7 Summit, where the United States and its partners announced more than \$4.7 billion to address global food security and encourage the international community to reflect on our current response while planning sustainable road maps to address future crises.

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

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

2022 Highlights:

- In support of the National Strategy on Gender Equity and Equality, as of the third quarter in 2022, 80 percent of overseas missions used equity language in their public messaging and communications, an increase from 45 percent in October 2021.
- The Department released its first-ever Agency Equity Plan (<https://www.state.gov/equity>) in direct support of the administration's Executive Order on Advancing Racial Equity and Support for Underserved Communities Through the Federal Government.
- Over the course of 2022, the Bureau of International Organizations contributed to passage of 37 United Nations consensus documents that expanded the inclusion of marginalized and vulnerable groups, surpassing the 2022 target of 10 consensus documents

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

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

2022 Highlights:

- In support of President Biden's Executive Order on Diversity, Equity, Inclusion, and Accessibility (DEIA) in the Federal Workforce, the Department completed its inaugural comprehensive DEIA Climate Survey to the Department's workforce.
- The Department released its FY 2022-2026 Diversity, Equity, Inclusion, and Accessibility Strategic Plan in September 2022 – a living plan addressing four key areas: enhanced use of data to identify areas for improvement and ways to measure future progress; enhanced transparency and equity in promotions processes; professional development; and creating a more accessible and disability-inclusive workplace.
- In 2022, the Department increased the percentage of employees that self-identify as having a disability to 15 percent surpassing the U.S. Equal Employment Opportunity Commission final rule that requires each Federal agency to adopt the goal of having 12 percent of its workforce be people with disabilities.
- The Department upgraded 26 additional embassies and consulates with innovative security technologies and advanced security engineering for a total of 106 facilities to date.
- Department personnel completed 21,315 hours of data-related training to include FSI courses, online self-study, and modules in larger non-data specific training, surpassing the 2022 third quarter target by 5,565 hours.

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

The State Department's highest priority is to protect the lives and serve the interests of U.S. citizens overseas, as was illustrated during the unprecedented work to bring more than 100,000 U.S. citizens back to the United States in response to the outbreak of the COVID-19 pandemic in 2020. The Department of State supports U.S. citizens in many other ways, including by facilitating international travel, providing passport and visa services, enabling international adoptions and family reunification through immigration, documenting American citizen's citizenship overseas, and providing special citizen services when needed.

2022 Highlights:

- In 2022, the Department rolled out a pilot project for online passport renewals in preparation for a public

launch in 2023. The Department enrolled 168,000 customers into the pilot and successfully issued passports online for 44,000 of those between February and September 2022. Pilot participants included Federal employees, Federal contractors, and the general public.

- In addition, the Department posted strategies to enhance and expand access to information about passports, visas, and international travel to its @TravelGov social media properties, increasing our following on Facebook by 14.1 percent, Twitter by 2.6 percent, and Instagram by 30.3 percent compared to the end of 2021.

Agency Priority Goals

Agency Priority Goals (APG) are a performance accountability component of the Government Performance Results Modernization Act of 2010. They serve to focus leadership priorities, set outcomes, and measure results, especially where agencies need to drive significant progress and change. APGs are intended to demonstrate quarterly progress on near-term results or achievements the agency seeks to accomplish within 24 months. State's FY 2022-2023 APGs are:

- **HIV/AIDS (Joint State-USAID):** By September 30, 2023, PEPFAR will 1) support eight additional countries to achieve 73 percent community viral load suppression and 2) ensure that all nine PEPFAR-supported countries that have achieved 72 percent community viral load suppression sustain that progress.
- **Climate Change (Joint State-USAID):** By September 30, 2023, the United States has provided technical, financial, and diplomatic support to 30 countries that enhances their institutional frameworks and capacity to deliver the first National Inventory Reports and Biennial Transparency Reports by December 31, 2024.
- **Diversity, Equity, Inclusion and Accessibility (Joint State-USAID):** By September 30, 2023, the Department of State will increase recruitment, hiring, and retention to bring the number of employees with disabilities to at least 15.3 percent of their workforce, with 2.4 percent of their workforce being persons with targeted disabilities, and USAID will increase recruitment, hiring, and retention to bring the number of employees with disabilities to at least 12 percent of their workforce, with 2 percent of their workforce being persons with targeted disabilities.

- **Equity Across Foreign Affairs Work (State):** By September 30, 2023, the Department will build an institution-wide equity infrastructure by developing assessment tools and establishing country-specific baselines, measurements, and reporting mechanisms for the Department.
- **Data Informed Diplomacy (State):** By September 30, 2023, in alignment with the eight implementation themes of its first-ever Enterprise Data Strategy, the Department will have doubled workforce training in data analytics, increased the use of enterprise analytics products by 50 percent, increased the number of organizational units leveraging common analytics infrastructure, quadrupled the ingestion of data assets into the Department's internal Data Catalog, and published a modern enterprise data policy.
- **Cybersecurity (State):** By September 30, 2023, the Department will improve the maturity of all five Zero Trust pillars to the Advanced level as defined by the Cybersecurity and Infrastructure Security Agency Zero Trust Maturity Model.
- **Enhancing Security Monitoring Solutions (State):** By September 30, 2023, the percent of domestic and overseas sites that have been upgraded will increase from 17 percent to 35 percent.

The latest reporting on FY 2022-2023 APGs can be found at <https://www.performance.gov/>.

Program and Project Design, Monitoring, and Evaluation Policy

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

In response to requirements contained in the Foreign Aid Transparency and Accountability Act, the Foundations for Evidence-Based Policymaking Act, and the Program Management Improvement and Accountability Act, the Department updated its evaluation policy to encompass the full spectrum of performance management and evaluation activities including program design, monitoring, evaluation, analysis, and learning. The Department established guidance for implementing the updated policy and is working with bureaus and offices to complete program and project design steps for their major lines of effort. Bureaus responded to this updated and expanded policy by putting in place performance management documents

and practices, including the use of logic models, theories of change, performance metrics, monitoring structures, and other foundational components. With the approval of the new Joint Strategic Plan and approval of new bureau strategies, bureaus are updating their program design documents so that they support new and updated bureau strategic objectives. This work will contribute to bureaus' ability to track and report on progress toward bureau goals.

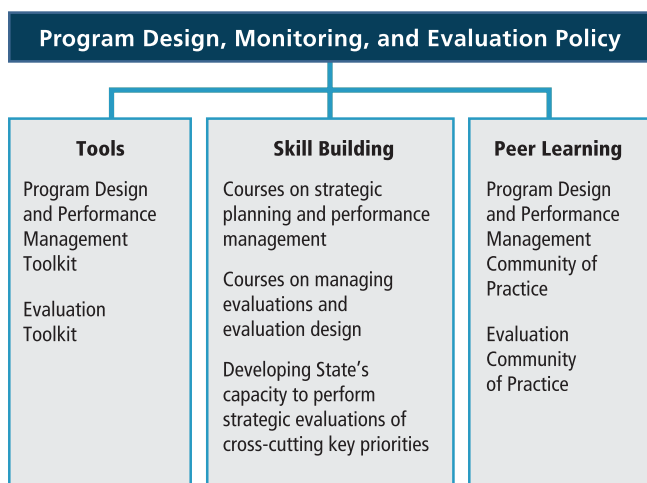
Maximizing America's Investment Through Analysis and Evidence

Evidence and Evaluation

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

One of the efforts includes an annual internal review of the Department's strategies and resources. These strategic discussions allow Department leadership to monitor progress against strategic priorities, consider emerging challenges, and inform resource decisions.

Other examples of ongoing efforts to bolster the Department's ability to plan, execute, monitor, and evaluate programs and projects in a way that encourages learning and adapting are outlined in the Program Design, Monitoring, and Evaluation Policy graphic.



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

With passage of the Foundations for Evidence-Based Policymaking Act ("Evidence Act"; Public Law No. 115-435) in 2018, the Department engaged with leadership, performance, and evaluation professionals across the Department to implement this groundbreaking legislation to advance evidence-building in the Federal Government by improving access to data and expanding evaluation capacity. As required of CFO Act agencies, and in support of Title 1 of the "Evidence Act", the Department published its inaugural Learning Agenda in May 2022 and held a public launch in June of the same year. Implementation of the more than 100 evidence-building activities ("learning activities") began earlier in the winter of 2021. The Department's Learning Agenda can be viewed here <https://www.state.gov/plans-performance-budget/>. Also, in support of Title 1, the Department published a Capacity Assessment analyzing the Department's capacity to generate and apply evidence through performance monitoring, evaluation, and research and analysis, as well as an Annual Evaluation Plan. Together, these three documents catalogue plans for research relevant to the Department's mission and assess the Department's ability to carry out evidence-building activities. All documents are available at <https://www.evaluation.gov/agencies/departments-of-state/>. The Department's Performance Improvement Officer, Director of Foreign Assistance, Chief Data Officer, Statistical Official, and co-Evaluation Officers collaborate on Evidence Act implementation activities through frequent consultations and progress reviews.

In addition to accomplishments aligned to Title I of the Evidence Act, the Department has made significant strides in executing against Titles II and III of the "Evidence Act" as well. As an active member of the Interagency Council on Statistical Policy and the Federal Chief Data Officer Council, the Department has continued to improve its data practices and quality in line with Federal mandates, its interagency peers, and the needs of its mission. As the Department builds a culture of data-informed diplomacy, it has created opportunities to make data assets more accessible across the agency, increased data literacy at all levels within the existing workforce and recruited high-end data talent through multiple hiring mechanisms. Over 6,000 employees have been trained in the Foreign Service Institute's suite of seven data science educational opportunities sponsored by the Chief Data Officer.

Additionally, the Department has hosted a variety of data training events and bureau collaborations (such as office hours, Tech Talks, Lunch & Learns, and Data Days) reaching

over 5,200 employees. Through partnerships between the Chief Data Officer, Bureau for Global Talent Management, and several bureaus across the agency, the Department has made significant progress in growing a data-centric workforce. To date, nearly 30 data scientists have been hired across 10 bureaus – first through an interagency hiring pilot program and most recently leveraging OPM's new 1560 Data Scientist hiring series. This helps further embed strong data management and analytical skills into the Department.

As part of the Secretary's Modernization Agenda priorities, the Department is piloting a new program

that will place bureau-level Chief Data Officers in six bureaus, with the plan to scale up the program to ensure every bureau has dedicated data expertise to inform policy and management decision making. Through the implementation of the Department's first-ever Enterprise Data Strategy, the Department's foreign policy and management experts have successfully leveraged data science, data policy, and data technology expertise to make higher-quality data and data assets more widely available to the Department's workforce, senior leadership, and the public.



Secretary Blinken holds a meet and greet with employees and families from U.S. Embassy Thailand in Bangkok, Thailand, July 10, 2022.
Department of State

Management Analytics Portal



U.S. Embassy Beirut delivers six new vehicles to the Lebanese Internal Security Forces. *Department of State*

The International Cooperative Administrative Support Services (ICASS) platform offers vital management support to the Department’s overseas embassies and consulates. ICASS is the foundation for our foreign policy and diplomatic efforts. Without motor pool, finance, travel and other ICASS services, the many U.S. Government agencies with an overseas presence simply could not achieve their foreign policy goals.

Over the years, demand for ICASS services has increased amid staffing shortages, political unrest, and global health pandemics. This uncertain environment is likely

to continue. Therefore, our ICASS platforms must operate as efficiently and effectively as possible.

To meet the challenge, the Department of State’s Office of Management Strategy and Solutions developed the Management Analytics Portal (MAP). MAP helps overseas posts improve management operations by pulling key ICASS performance metrics into one interactive data visualization program, giving posts a holistic view of the health of their ICASS platforms. Via MAP metrics, ICASS stakeholders can make data informed decisions to improve and maintain optimal ICASS performance and provide excellent customer service.

For example, through MAP data, Embassy Bogota identified challenges in their warehouse operations which made it difficult to deliver and pick up property such as furniture and equipment in a timely manner. After a thorough MAP analysis, the warehouse team revamped their business procedures, dramatically improving delivery and pick up times.

In another example, Embassy Beirut analyzed MAP data related to their motor pool operations and was able to implement several concrete process-based actions, such as better dispatcher and driver communication, resulting in a sharp increase in on time customer pick up for scheduled motor pool trips.

Optimal ICASS performance feeds directly into the Secretary’s agenda to Modernize American Diplomacy to create an “even stronger, more effective, more agile” Department and helps ensure good stewardship of taxpayer funds by promoting efficient and effective ICASS service delivery.

Financial Summary and Highlights

The financial summary and highlights that follow provide an overview of the 2022 financial statements of the Department. The independent auditor, Kearney & Company, audited the Department's Consolidated Balance Sheet for the fiscal years ending September 30, 2022 and 2021, along with the Consolidated Statements of Net Cost and Changes in Net Position, and the Combined Statement of Budgetary Resources¹. The Department received an unmodified ("clean") audit opinion on its 2022 and 2021 financial statements. A summary table of key financial measures from the Balance Sheet and Statements of Net Cost and Budgetary Resources is provided. The complete financial statements, including the independent auditor's reports, notes, and required supplementary information, are presented in Section II: Financial Section.

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

Summary Consolidated Balance Sheet Data	2022	2021	Change	% Change
Fund Balance with Treasury	\$ 63.8	\$ 60.8	\$ 3.0	5%
Investments, Net	21.2	20.6	0.6	3%
General Property and Equipment, Net	28.5	27.3	1.2	4%
Cash, Advances, Receivables, and Other Assets	2.5	3.2	(0.7)	(22)%
Total Assets	\$ 116.0	\$ 111.9	\$ 4.1	4%
Accounts Payable	\$ 2.6	\$ 2.7	\$ (0.1)	(4)%
Federal Employee and Veteran Benefits Liability	33.8	29.2	4.6	16%
International Organizations Liability	2.8	2.4	0.4	17%
Other Liabilities	1.6	1.5	0.1	7%
Total Liabilities	\$ 40.8	\$ 35.8	\$ 5.0	14%
Unexpended Appropriations	\$ 47.0	\$ 46.0	1.0	2%
Cumulative Results of Operations	28.2	30.1	(1.9)	(6)%
Total Net Position	\$ 75.2	\$ 76.1	\$ (0.9)	(1)%
Total Liabilities and Net Position	\$ 116.0	\$ 111.9	\$ 4.1	4%
Summary Consolidated Statement of Net Cost Data				
Total Gross Costs	\$ 47.1	\$ 45.8	\$ 1.3	3%
Total Earned Revenue	8.7	7.4	1.3	18%
Total Net Cost of Operations	\$ 38.4	\$ 38.4	\$ —	—
Summary Combined Statement of Budgetary Resources Data				
Unobligated Balance from Prior Year Budget Authority, Net	\$ 31.6	\$ 29.9	\$ 1.7	6%
Appropriations	43.7	41.5	2.2	5%
Spending Authority from Offsetting Collections	7.8	8.7	(0.9)	(10)%
Total Budgetary Resources	\$ 83.1	\$ 80.1	\$ 3.0	4%

¹ Hereafter, in this section, the principal financial statements will be 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*, as amended by the *Government Management Reform Act of 1994*, and are presented in accordance with OMB Circular A-136, *Financial Reporting Requirements*, revised. The Department prepared its statements from its books and records in conformity with generally accepted accounting principles which, for Federal entities, are the standards set by the Federal Accounting Standards Advisory Board (FASAB).

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

- Balance 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,
- The Department's Budgetary Position,
- Impact of COVID-19, and
- Limitation of Financial Statements.

Balance Sheet: Overview of Financial Position

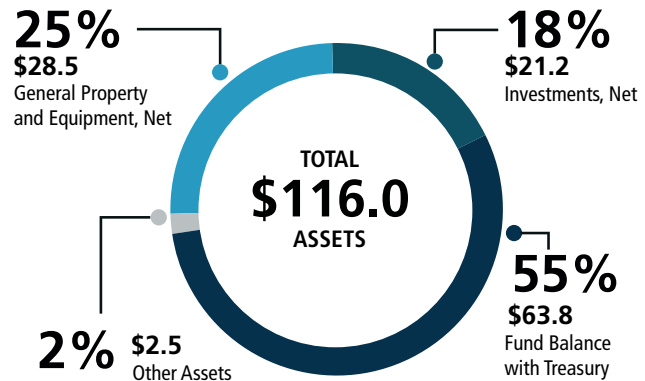
The Balance Sheet provides a snapshot of the Department's financial position. It displays the amounts of current and future economic benefits owned or managed by the reporting entity (Assets), amounts owed (Liabilities), and amounts comprising the difference (Net Position) at the end of the fiscal year.

Assets. As of September 30, 2022, the Department's total assets were \$116.0 billion, an increase of \$4.1 billion (4 percent) over the 2021 total. The change was primarily due to the \$3.0 billion (5 percent) increase in Fund Balance with Treasury (FBWT), a \$1.2 billion (4 percent) increase in General Property and Equipment, Net, and a \$0.6 billion (3 percent) increase in Investments, Net. These three asset classes combine to account for 98 percent of the Department's total assets.

The "Assets by Type" chart summarizes the total assets at September 30, 2022. At \$63.8 billion (55 percent), the 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 \$28.5 billion at year-end. New buildings, structures, and improvements accounted for this increase, with the top 10 New Embassy Compound projects accounting for \$752 million of the change, as detailed in the table "Real Property Projects – 2022 Capitalized Activity." The next largest category, Investments, Net, had a balance

of \$21.2 billion. The investments are composed of several accounts, principally special issue securities used exclusively by the Foreign Service Retirement and Disability Fund (FSRDF), plus Funds from Dedicated Collections.

ASSETS BY TYPE 2022 (dollars in billions)

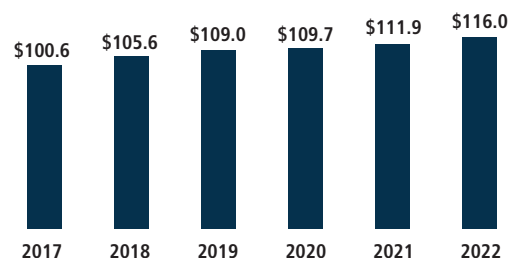


REAL PROPERTY PROJECTS – 2022 CAPITALIZED ACTIVITY (dollars in millions)

Project Name	Amount
Beirut, Lebanon	\$ 148
Erbil, Iraq	98
Mexico City, Mexico	84
New Delhi, India	78
Nassau, Bahamas	64
Windhoek, Namibia	61
Lagos, Nigeria	61
Oslo, Norway	59
Guadalajara, Mexico	50
Guatemala City, Guatemala	49
TOTAL	\$ 752

The six-year trend in the Department's total assets is presented in the "Trend in Total Assets" chart. Since 2017, the total assets have increased by \$15.4 billion, or 15 percent. This increase was principally the result of an \$8.5 billion (15 percent) increase in FBWT and a \$4.9 billion (21 percent) increase in General Property and Equipment, Net.

TREND IN TOTAL ASSETS (2017-2022) (dollars in billions)

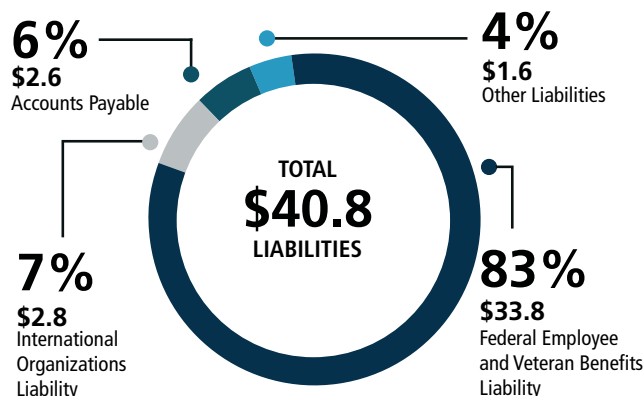


The Department maintains an important collection of heritage assets. Many, including art, historic American furnishings, rare books and cultural objects, are not reflected as assets on the Department's Balance Sheet². Federal accounting standards attempt to match costs to accomplishments in operating performance and have deemed that the allocation of historical cost through depreciation of a national treasure or other priceless item intended to be preserved forever as part of our American heritage would not contribute to performance cost measurement. Thus, the acquisition cost of heritage assets is expensed not capitalized. The maintenance costs of these heritage assets are expensed as incurred, since it is part of the Government's role to maintain them in good condition. All embassies and other properties on the Secretary of State's Register of Culturally Significant Property, however, do appear as assets on the Balance Sheet, since they are used in the day-to-day operations of the Department.

Liabilities. The Department's total liabilities were \$40.8 billion at September 30, 2022, an increase of \$5.0 billion (14 percent) between 2021 and 2022. Federal Employee and Veteran Benefits Liability increased \$4.6 billion (16 percent) from 2021, accounting for most of this increase. This increase from the prior year related to higher actuarial liabilities for the pension and retirement plans administered by the Department, which reviews and adjusts this liability annually.

The "Liabilities by Type" chart summarizes the total liabilities at September 30, 2022. The Department's largest component of total liabilities was Federal Employee and Veteran Benefits Liability (\$33.8 billion, or 83 percent of the total). This was followed by the International Organizations Liability, at \$2.8 billion (7 percent), and Accounts Payable of \$2.6 billion (6 percent).

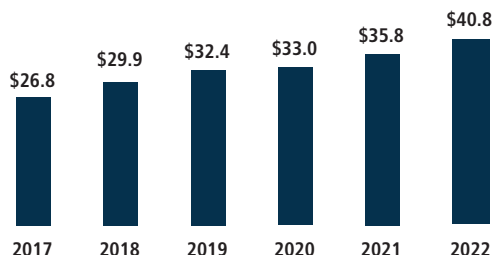
LIABILITIES BY TYPE 2022 (dollars in billions)



The six-year trend in the Department's total liabilities is presented in the "Trend in Total Liabilities" chart. Since 2017, the Department's total liabilities have increased by \$14.0 billion, or 52 percent. This change was primarily driven by the following account increases: \$13.2 billion in Federal Employee and Veteran Benefits Liability and \$0.9 billion in the International Organizations Liability.

TREND IN TOTAL LIABILITIES (2017-2022)

(dollars in billions)



Ending Net Position. The Department's Net Position, comprised of Unexpended Appropriations and the Cumulative Results of Operations, decreased \$0.9 billion (1 percent) between 2021 and 2022. Since the prior fiscal year, Unexpended Appropriations increased by \$1.0 billion, while the Cumulative Results of Operations decreased by \$1.9 billion. 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 Department's net cost of operations by strategic goal (SG). Net cost is the total program costs incurred less any earned revenues attributed to and permitted to be offset against those costs. The presentation of program results is based on the Department's major goals established pursuant to the *Government Performance and Results Act (GPRA) of 1993*, as updated by the *GPRA Modernization Act of 2010*. The total net cost of operations in 2022 totaled \$38.4 billion, equivalent to the 2021 total.

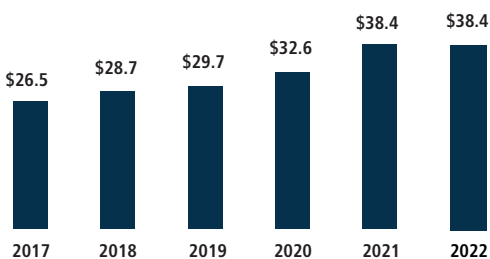
The "Net Cost of Operations by Strategic Goal" chart illustrates the results of operations by strategic goal. As discussed in the Performance Summary and Highlights section, the Department and USAID updated the JSP for FY 2022-2026 in March 2022 and established five new strategic goals. The net cost of operations for the prior year was reclassified to conform to the current year's presentation. As shown, net costs associated with two strategic goals (Strategic Goal 1: Renew U.S. leadership and mobilize

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).

coalitions to address the global challenges that have the greatest impact on Americans' security and well-being and Strategic Goal 4: Revitalize the diplomatic and development workforce and institutions) represented the largest share of the Department's net costs in 2022 – a combined \$30.1 billion (78 percent).

The largest increase in net costs from the prior year aligned with Strategic Goal 4, increasing from \$6.4 billion in 2021 to \$7.7 billion in 2022. The \$1.3 billion (20 percent) increase resulted from a \$0.7 billion increase in gross costs – due to higher FSRDF actuarial costs, cybersecurity enhancements, and emergency services increases – plus a \$0.6 billion decrease in earned revenue. Most of the revenue decline resulted from the nonrecurrence of proceeds from 2021 sales of real property. The largest decrease in net costs aligned with Strategic Goal 1, declining from \$24.0 billion in 2021 to \$22.4 billion in 2022 (a \$1.6 billion, 7 percent decline). This change resulted principally from a decrease in global health programs spending, which peaked in 2021 with the receipt of supplemental emergency funds to address the COVID-19 pandemic.

TREND IN NET COST OF OPERATIONS (2017-2022)
(dollars in billions)



The six-year trend in the Department's net cost of operations is presented in the "Trend in Net Cost of Operations" chart. There was an increase from 2017 to

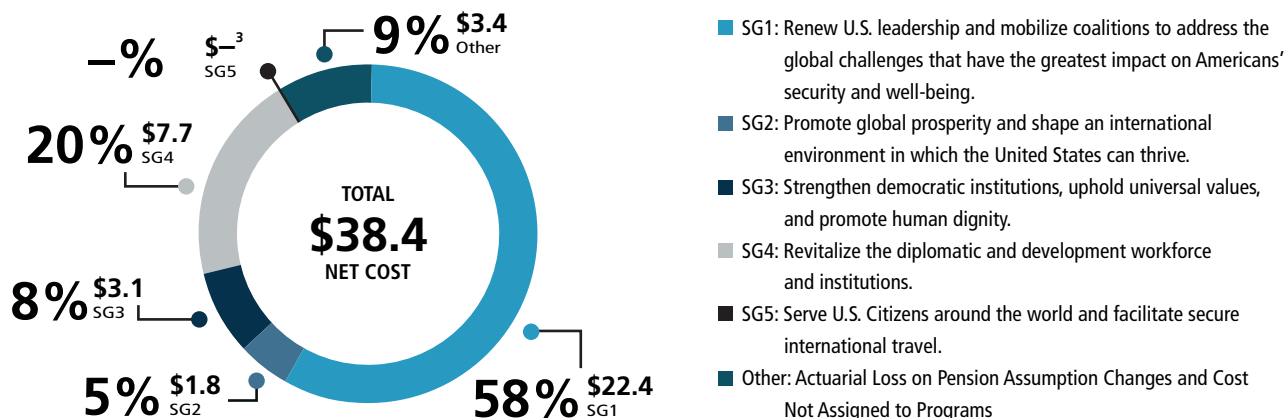
2022 of \$11.9 billion (45 percent). Increases over this period generally reflect costs associated with new program areas related to countering security threats, sustaining stable states, and the COVID-19 pandemic, as well as the higher cost of day-to-day operations such as inflation and increased global presence.

Earned Revenues

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

Earned revenues totaled \$8.7 billion in 2022 and are depicted in the "Earned Revenues by Program Source" chart. Overall, revenue increased by \$1.3 billion (18 percent), on a comparative basis, from 2021. This increase was primarily a result of an increase in consular fees revenue due to an increase in travel and the easing of COVID-19 pandemic-related travel restrictions. The Department's primary sources of revenue in 2022 were from consular fees (\$4.6 billion or 53 percent), reimbursable agreements (\$2.2 billion or 26 percent), and ICASS earnings (\$1.0 billion or 11 percent).

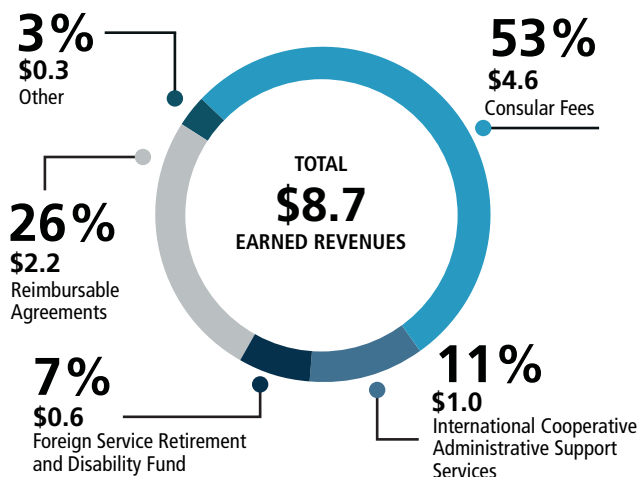
NET COST OF OPERATIONS BY STRATEGIC GOAL 2022 (dollars in billions)



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

These programs combined for \$7.8 billion, or 90 percent, of the total earned revenue.

EARNED REVENUES BY PROGRAM SOURCE 2022
(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.

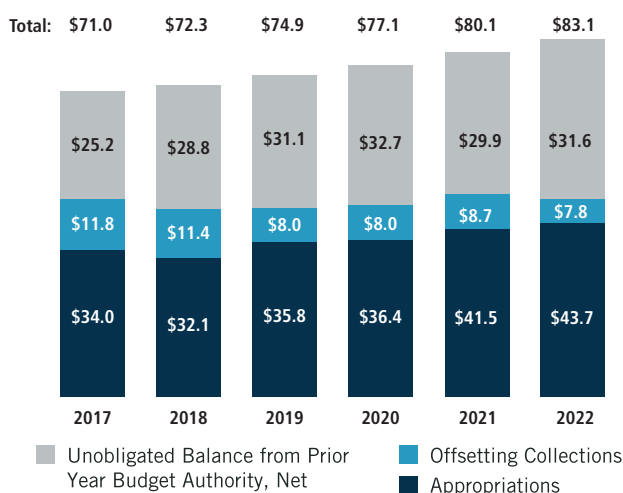
The Department's Net Position at the end of 2022, shown on both the Balance Sheet and the Statement of Changes in Net Position, was \$75.2 billion, a \$0.9 billion (1 percent) decrease from the prior fiscal year. This change resulted from a \$1.0 billion (2 percent) increase in Unexpended Appropriations netted against a \$1.9 billion (6 percent) decline in the Cumulative Results of Operations.

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. The Department's \$83.1 billion in 2022 budgetary resources consist primarily of appropriations designated by Congress

for the Department's mission (\$43.7 billion, 53 percent), spending authority from offsetting collections (\$7.8 billion, 9 percent), and unobligated balances brought forward from prior years (\$31.6 billion, 38 percent). The "Trend in Total Budgetary Resources" chart highlights the budgetary trend over the fiscal years 2017 through 2022. A comparison of the two most recent years shows a \$3.0 billion (4 percent) increase in total resources since 2021. This change resulted from increases in appropriations (\$2.2 billion) and the unobligated balance from prior year budget authority (\$1.7 billion), offset by a decrease in offsetting collections (\$0.9 billion).

TREND IN TOTAL BUDGETARY RESOURCES (2017-2022)
(dollars in billions)



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 and tables in this section provide a detailed discussion of the two categories of funding.

For 2022, \$53.5 billion of the Department's \$91.5 billion in total new funding was provided by the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2022 (Division K, Public Law No. 117-103) enacted on March 15, 2022. Of that total, a net \$40.5 billion remained available from 2021 and prior years. The Department also received \$28.6 billion in 2022 Supplemental Appropriations for Operation Allies Welcome (OAW) and Ukraine-related efforts, and \$9.4 billion in non-appropriated fee revenue funding.

The Bureau of Budget and Planning manages the Diplomatic Engagement portion of the budget (\$39.7 billion, including \$25.8 billion in new 2022

appropriated and non-appropriated budget authority, and \$13.9 billion in prior year funding that remained available for obligation in 2022). The Office of Foreign Assistance manages \$92.3 billion in foreign assistance funds (\$65.7 billion in new funding net rescissions, with \$26.6 billion that remained available from 2021 for obligation in 2022).

The 2022 Department of State Budget funded the Administration's highest foreign policy priorities, including to:

- Increase engagement in the Indo-Pacific and outcompeting the People's Republic of China;
- Enhance modern diplomacy capabilities through the Secretary's Modernization Agenda;
- Enable climate leadership and a greener, cleaner more sustainable platform;
- Shape the international response to Russia's war against Ukraine;
- Contribute to multilateral institutions such as the United Nations, including payment of prior United Nations peacekeeping arrears;
- Revitalize the foreign policy workforce and strengthening engagement with bureaus, overseas missions, and employee affinity groups on diversity and inclusion issues;
- Provide logistical support for OAW;
- Provide effective security operations;
- Sustain public diplomacy; and
- Restore and accelerate delivery of consular services to Americans and international travelers.

Budgetary Position for Diplomatic Engagement

New 2022 funding enacted for Diplomatic Engagement totaled \$16.3 billion, including \$9.3 billion in Diplomatic Programs; \$300 million in the Capital Investment Fund, \$1.3 billion net; \$2.0 billion in new appropriated funding for Embassy Security, Construction, & Maintenance, but also a \$670 million rescission; \$1.7 billion in Contributions to International Organizations; and \$1.5 billion in Contributions for International Peacekeeping Activities. Supplemental funding included the Afghanistan Supplemental Appropriations Act, 2022 (Division C, Public Law No. 117-43) appropriated \$276.9 million for the Emergencies in the Diplomatic and Consular Service (EDCS) account for support of OAW and related efforts by the Department. Title IV of the Additional Afghanistan Supplemental Appropriations Act, 2022 (Division B, Public Law No. 117-70) provided \$44.3 million for Diplomatic Programs and an additional \$36 million for EDCS for similar purposes; and \$443 million in Diplomatic Engagement funds

appropriated by the Ukraine Supplemental Appropriations Act, 2022 (Division N, Public Law No. 117-103) ("Ukraine Supplemental") and the Additional Ukraine Supplemental Appropriations Act, 2022 (Public Law No. 117-128) ("Additional Ukraine Supplemental"), which continues to enable the resumption of the Department's critical operations at Embassy Kyiv, such as security, U.S. and locally employed staffing and facility costs, as well as support for further regional operational activity, cybersecurity, public diplomacy, and sanctions coordination in response to Russia's renewed war of aggression in Ukraine.

Diplomatic Engagement Funding also included \$158.9 million in mandatory appropriations for the Foreign Service Retirement and Disability Fund, pursuant to the Foreign Service Act of 1980; \$1.9 million carryover from COVID and Coronavirus Aid, Relief, and Economic Security Act Supplementals, and \$66.8 million carryover from the American Rescue Plan (ARP) Act of 2021 funds. In addition, the Department received \$9.4 billion in non-appropriated retained fee revenue including \$1.5 billion in the Working Capital Fund (WCF), \$3.5 billion in International Cooperative Administrative Support Services (ICASS); and \$4.4 billion in the Consular and Border Security Programs (CBSP) account derived from passport and visa processing, including Machine Readable Visa fees, Immigrant Visa fees, the Western Hemisphere Travel Initiative Surcharge, Visa Fraud Prevention and Detection fees, Passport Application and Execution Fees (authorized for 2022), and other fee and surcharge revenues for the CBSP.

In addition to the \$25.8 billion in new 2022 funding, \$11.9 billion in prior year Diplomatic Engagement funding remained available for obligation in 2022. A total of \$1.9 billion in prior year non-appropriated funding remained available for obligation in 2022 including \$833 million non-appropriated retained fee revenue balances for CBSP, \$176.7 million in the WCF balances, and \$830 million in ICASS balances.

2023 Diplomatic Engagement Request

The total projected new funding for 2023 is \$27.6 billion, of which \$17.5 billion is requested as annual appropriations, and \$10.1 billion is the projected revenue total (\$1.7 billion in the WCF, \$3.7 billion in ICASS, and \$4.7 billion in CBSP).

Budgetary Position for Foreign Assistance

For 2022, foreign assistance funding for the Department of State and USAID totaled \$66.7 billion, provided through multiple appropriations laws: \$38.9 billion in the Department of State, Foreign Operations, and Related Programs Appropriation Act, 2022 (Division K, Public Law 117-103), \$24.7 billion in two Ukraine Supplemental

Appropriations Acts (Division N, Public Law No. 117-103 and Public Law No. 117-128), and \$3.1 billion in additional funding for Afghan refugee assistance in two continuing resolutions (Public Law No. 117-43 and 117-70).

As of October 2022, the carryover of unobligated 2021 foreign assistance balances into 2022 totaled \$26.6 billion.

Foreign Assistance Accounts Fully Implemented by the Department of State

Of the 2022 funds provided by Congress, the foreign assistance accounts fully managed by the Department of State totaled \$27.8 billion. State 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; and Peacekeeping Operations. Of the \$14.1 billion security assistance total provided by Congress in 2022, the two Ukraine supplementals provided \$4.7 billion in additional Foreign Military Financing for Ukraine and regional partners, as well as \$430.0 million in International Narcotics Control and Law Enforcement and \$100.0 million in Nonproliferation, Antiterrorism, Demining, and Related Programs for additional demining, sanctions compliance and nuclear security, border security and other non-proliferation support to Ukraine and the region.

In 2022, the portion of humanitarian assistance managed by the Department through the Migration and Refugee Assistance and U.S. Emergency Refugee and Migration Assistance accounts totaled \$7.4 billion; of that total, \$1.8 billion was provided for additional humanitarian support for Ukraine and \$2.7 billion in additional funding to support Afghan refugee resettlement. These funds provided humanitarian assistance and resettlement opportunities for refugees and conflict victims around the globe and contributed to key multilateral and non-governmental organizations that address pressing humanitarian needs overseas.

In 2022, the portion of the Global Health Programs appropriation managed by the Department totaled \$5.95 billion. This is the primary source of funding for the President's Emergency Plan for AIDS Relief. These funds are used to control the epidemic through data-driven investments that strategically target geographic areas and population where the initiative can achieve the most impact for its investments.

The 2022 International Organizations and Programs totaled \$423.0 million. It provided international organizations voluntary contributions that advanced U.S. strategic goals by supporting and enhancing international consultation and coordination. This approach is required in transnational areas where solutions to problems are best addressed globally,

such as protecting the ozone layer or safeguarding international air traffic. In other areas, the United States can multiply its influence and effectiveness through support for international programs.

Foreign Assistance Accounts Fully Implemented by USAID

USAID fully implements the following accounts: Global Health Programs-USAID, International Disaster Assistance, Food for Peace, Development Assistance, Transition Initiatives, Complex Crises Fund, and USAID Administrative accounts, including Operating Expenses, the Capital Investment Fund, and the Office of the Inspector General. The 2022 appropriated total for those accounts is \$23.4 billion. This total includes \$7.6 billion in additional funding within three accounts (International Disaster Assistance, Food for Peace, and Transition Initiatives) in support of Afghan refugees, Ukrainian refugees, and food security impacts of the current Russian-Ukraine conflict.

Jointly Implemented Foreign Assistance Accounts

The Department and USAID jointly implement funds from the Assistance for Europe, Eurasia, and Central Asia and the Economic Support Fund accounts. Congress provided a total of \$15.1 billion for these two accounts in 2022 to advance national security and support programs focused on democracy, anti-corruption, and rule of law. This total includes \$10.5 billion in additional funding for Ukraine and regional partners, provided within the two supplemental appropriations acts. Of this amount, \$8.5 billion in funding has provided budget support to the Government of Ukraine, and the remainder has been used for economic and governance assistance for Ukraine and other countries affected by the war, including in food security.

Another jointly managed account is the Democracy Fund account. The Democracy Fund appropriation totaled \$340.7 million in 2022; the funds are split and made available for both the Department and USAID. Funding in this account promotes democracy in priority countries where egregious human rights violations occur, democracy and human rights advocates are under pressure, governments are not democratic or are in transition, where there is growing demand for human rights and democracy, and for programs promoting Internet Freedom.

2023 Foreign Assistance Request

The President's 2023 Request for foreign assistance for the Department of State and USAID is currently under congressional consideration. The State and USAID request for foreign assistance is \$42.9 billion to support all core programs; no Overseas Contingency Operations funding is requested.

Department of State and USAID Budget by Account for Diplomatic Engagement¹

Appropriation/Program (dollars in millions)	2021 Unobligated Balances in 2022	2022								2023
		Enduring (Public Law No. 117-103)	Continuing Resolution #1 (Public Law No. 117-43)	Continuing Resolution #2 (Division A, Public Law No. 117-70)	Ukraine Supplemental Appropriations Act, 2022 (Division N, Public Law No. 117-103)	Additional Ukraine Supplemental Appropriations Act, 2022 (Public Law No. 117-128)	Non- Appropriated Accounts	Total New Budget Authority ²	2022 Grand Total	Request ²
Total, State/USAID Diplomatic Engagement and Foreign Assistance (Gross Budget Authority, Net Rescissions)⁴	\$40,514.9	\$53,486.2	\$2,168.0	\$1,280.3	\$6,875.0	\$18,296.0	\$9,438.2	\$91,543.7	\$132,058.6	\$70,473.5
1. Diplomatic Engagement (includes Diplomatic Engagement rescissions)⁴	13,893.0	15,570.6	276.9	80.3	129.0	314.0	9,438.2	25,809.0	39,702.0	27,616.8
a. Administration of Foreign Affairs⁴	13,625.9	11,870.9	276.9	80.3	129.0	314.0	9,438.2	22,109.3	35,735.2	23,121.9
i. State Programs	3,149.4	9,592.1	—	44.3	125.0	200.0	9,438.2	19,399.6	22,549.0	20,208.0
1. Diplomatic Programs	1,304.3	9,292.1	—	44.3	125.0	190.0	—	9,651.4	10,955.7	9,637.8
a. Ongoing Operations	365.8	5,503.9	—	44.3	125.0	190.0	—	5,863.2	6,229.0	5,824.1
b. Worldwide Security Protection	938.5	3,788.2	—	—	—	—	—	3,788.2	4,726.7	3,813.7
2. Capital Investment Fund	5.9	300.0	—	—	—	10.0	—	310.0	315.9	470.2
3. Non-Appropriated Funds Accounts ²	1,839.2	—	—	—	—	—	9,438.2	9,438.2	11,277.4	10,100.0
a. Working Capital Fund ²	176.7	—	—	—	—	—	1,518.0	1,518.0	1,694.7	1,700.0
b. International Cooperative Administrative Support Services ²	829.5	—	—	—	—	—	3,511.0	3,511.0	4,340.5	3,700.0
c. Consular and Border Security Programs Fee Revenue ²	833.0	—	—	—	—	—	4,409.2	4,409.2	5,242.2	4,700.0
ii. Sudan Claims Resolution	150.0	—	—	—	—	—	—	—	150.0	—
iii. Embassy Security, Construction, & Maintenance	9,869.1	1,313.1	—	—	—	110.0	—	1,423.1	11,292.2	1,957.8
1. Ongoing Operations	501.0	850.7	—	—	—	—	—	850.7	1,351.7	902.6
2. Worldwide Security Upgrades	9,368.1	1,132.4	—	—	—	110.0	—	1,242.4	10,610.5	1,055.2
3. Embassy Security, Construction, & Maintenance (Prior Year Rescissions/ Transfers)	—	(670.0)	—	—	—	—	—	(670.0)	(670.0)	—
iv. Other Administration of Foreign Affairs	457.4	965.7	276.9	36.0	4.0	4.0	—	1,286.6	1,744.0	956.1
1. Office of Inspector General	10.5	131.5	—	—	4.0	4.0	—	139.5	150.0	133.7
2. Educational and Cultural Exchange Programs	76.7	753.8	—	—	—	—	—	753.8	830.5	741.3
3. Representation Expenses	—	7.4	—	—	—	—	—	7.4	7.4	7.4
4. Protection of Foreign Missions and Officials	18.6	30.9	—	—	—	—	—	30.9	49.5	30.9
5. Emergencies in the Diplomatic and Consular Service	351.6	7.9	276.9	36.0	—	—	—	320.8	672.4	8.9
6. Repatriation Loans Program Account	—	1.3	—	—	—	—	—	1.3	1.3	1.3
7. Payment to the American Institute in Taiwan	—	32.9	—	—	—	—	—	32.9	32.9	32.6
8. Foreign Service Retirement and Disability Fund (non-add) ³	—	158.9	—	—	—	—	—	158.9	158.9	158.9
b. International Organizations⁴	98.0	3,161.5	—	—	—	—	—	3,161.5	3,259.5	3,985.4
1. Contributions to International Organizations	6.1	1,662.9	—	—	—	—	—	1,662.9	1,669.0	1,658.2
2. Contributions for International Peacekeeping Activities	91.9	1,498.6	—	—	—	—	—	1,498.6	1,590.5	2,327.2
c. International Commissions⁴	169.0	180.8	—	—	—	—	—	180.8	349.8	168.6
1. International Boundary and Water Commission – Salaries and Expenses	1.5	52.0	—	—	—	—	—	52.0	53.5	54.9
2. International Boundary and Water Commission – Construction	167.5	51.0	—	—	—	—	—	51.0	218.5	46.8
3. American Sections	—	15.0	—	—	—	—	—	15.0	15.0	13.1
a. North American Development Bank	—	1.9	—	—	—	—	—	1.9	1.9	—
b. International Joint Commission	—	10.8	—	—	—	—	—	10.8	10.8	10.8
c. International Boundary Commission	—	2.3	—	—	—	—	—	2.3	2.3	2.3
4. International Fisheries Commissions	—	62.8	—	—	—	—	—	62.8	62.8	53.8
d. Related Programs⁴	0.1	356.2	—	—	—	—	—	356.2	356.3	339.7
1. The Asia Foundation	—	21.5	—	—	—	—	—	21.5	21.5	20.0
2. National Endowment for Democracy	0.1	315.0	—	—	—	—	—	315.0	315.1	300.0
3. East-West Center	—	19.7	—	—	—	—	—	19.7	19.7	19.7
e. Special and Trust Funds⁴	—	1.2	—	—	—	—	—	1.2	1.2	1.2
1. Center for Middle Eastern-Western Dialogue	—	0.2	—	—	—	—	—	0.2	0.2	0.2
2. Eisenhower Exchange Fellowship Program	—	0.2	—	—	—	—	—	0.2	0.2	0.2
3. Israeli Arab Scholarship Program	—	0.1	—	—	—	—	—	0.1	0.1	0.1
4. International Chancery Center	—	0.7	—	—	—	—	—	0.7	0.7	0.7

Department of State and USAID Budget by Account for Foreign Assistance¹

Appropriation/Program (dollars in millions)	2021 Unobligated Balances in 2022	2022								2023
		Enduring (Public Law No. 117-103)	Continuing Resolution #1 (Public Law No. 117-43)	Continuing Resolution #2 (Division A, Public Law No. 117-70)	Ukraine Supplemental Appropriations Act, 2022 (Division N, Public Law No. 117-103)	Additional Ukraine Supplemental Appropriations Act, 2022 (Public Law No. 117-128)	Non- Appropriated Accounts	Total New Budget Authority ²	2022 Grand Total	Request ²
2. Foreign Assistance (includes Foreign Assistance rescissions)⁴	26,621.9	37,915.6	1,891.1	1,200.0	6,746.0	17,982.0	—	65,734.7	92,356.6	42,856.7
Foreign Assistance as in State, Foreign Operations, and Related Programs (excludes Food for Peace)⁴	26,569.8	36,175.6	1,891.1	1,200.0	6,646.0	17,982.0	—	63,894.7	90,464.5	41,116.7
a. Economic & Development Assistance⁴	11,798.6	9,643.2	—	—	1,887.0	8,766.0	—	20,296.2	32,094.8	10,766.6
i. Economic Support Fund	6,623.0	4,099.0	—	—	647.0	8,766.0	—	13,512.0	20,135.0	4,122.5
ii. Development Assistance	3,500.0	4,140.5	—	—	—	—	—	4,140.5	7,640.5	4,769.8
iii. International Organizations and Programs	580.0	423.0	—	—	—	—	—	423.0	1,003.0	457.2
iv. Assistance for Europe, Eurasia & Central Asia	770.3	500.0	—	—	1,120.0	—	—	1,620.0	2,390.3	984.4
v. Transition Initiatives	6.1	80.0	—	—	120.0	—	—	200.0	206.1	102.0
vi. Complex Crises Fund	30.0	60.0	—	—	—	—	—	60.0	90.0	40.0
vii. Democracy Fund	289.2	340.7	—	—	—	—	—	340.7	629.9	290.7
b. Health⁴	10,386.9	9,830.0	—	—	—	—	—	9,830.0	20,216.9	10,576.0
i. Global Health Programs – State	7,292.4	5,950.0	—	—	—	—	—	5,950.0	13,242.4	6,620.0
ii. Global Health Programs – USAID	3,094.5	3,880.0	—	—	—	—	—	3,880.0	6,974.5	3,956.0
c. Security Assistance⁴	2,796.9	8,899.3	—	—	680.0	4,500.0	—	14,079.3	16,876.2	8,999.7
i. Foreign Military Financing	576.9	6,040.4	—	—	650.0	4,000.0	—	10,690.4	11,267.3	6,057.0
ii. International Narcotics Control and Law Enforcement	1,274.5	1,391.0	—	—	30.0	400.0	—	1,821.0	3,095.5	1,466.0
iii. International Military Education and Training	56.5	112.9	—	—	—	—	—	112.9	169.4	112.9
iv. Nonproliferation, Antiterrorism, and Demining	694.6	900.0	—	—	—	100.0	—	1,000.0	1,694.6	900.2
v. Peacekeeping Operations	194.4	455.0	—	—	—	—	—	455.0	649.4	463.6
d. Humanitarian Assistance⁴	1,510.3	8,557.8	1,891.1	1,200.0	4,150.0	4,698.0	—	20,496.9	22,007.2	10,451.4
i. Migration and Refugee Assistance	344.5	2,912.2	415.0	—	1,400.0	350.0	—	5,077.2	5,421.7	3,912.0
ii. Emergency Refugee and Migration Assistance	0.1	0.1	1,076.1	1,200.0	—	—	—	2,276.2	2,276.3	100.0
iii. International Disaster Assistance	1,113.6	3,905.5	400.0	—	2,650.0	4,348.0	—	11,303.5	12,417.1	4,699.4
iv. Food for Peace, Title II	52.1	1,740.0	—	—	100.0	—	—	1,840.0	1,892.1	1,740.0
e. USAID Administrative Expenses⁴	129.2	1,974.1	—	—	29.0	18.0	—	2,021.1	2,150.3	2,113.0
i. USAID Operating Expense	120.1	1,635.9	—	—	25.0	17.0	—	1,677.9	1,798.0	1,743.4
ii. USAID Capital Investment Fund	1.5	258.2	—	—	—	—	—	258.2	259.7	289.1
iii. USAID Inspector General	7.6	80.0	—	—	4.0	1.0	—	85.0	92.6	80.5
f. Foreign Assistance Rescission or Cancellation of Prior Year Balances⁴	—	(988.8)	—	—	—	—	—	(988.8)	(988.8)	(50.0)
Creating Helpful Incentives to Produce Semiconductors Funding (to be allocated)³	—	—	—	—	—	—	—	—	—	100.0

¹ The numbering hierarchy is provided for illustrative purposes of the AFR.² Total New Budget Authority includes revenue generated for Non-Appropriated accounts.³ Amounts are shown for informational purposes only and are not included in the totals presented.⁴ All account totals reflect the accurate amounts appropriated under the law. Totals and subtotals in both the Diplomatic Engagement and Foreign Assistance tables have been rounded to one decimal.



The United States delivers 346,320 COVID-19 vaccine doses to Honduras, July 15, 2022. *Department of State*

Impact of COVID-19

In 2022, the Department of State maintained its focus on response and recovery related to the COVID-19 pandemic. The Department marshalled resources to inform and safeguard U.S. citizens overseas and advance the Administration's commitment to end the COVID-19 pandemic, mitigate its wider harms to people and societies, and strengthen global recovery and readiness for future pandemics.

The Department's 2022 funding did not include additional supplemental resources for COVID-19 response. Past appropriations included more than \$6.9 billion in cumulative COVID-designated funds including, for Diplomatic Engagement, a cumulative \$1.1 billion, some of which were executed in 2022, to establish testing programs to support Safer Federal Workforce guidance. Among other activities, Diplomatic Engagement supplemental funds enabled the CBSP account to support salaries and maintain consular operations, including providing services to American citizens and restarting much-needed modernization efforts, thereby offsetting the impact of reduced visa and passport revenues as the Bureau of Consular Affairs continued recovering and stabilizing post-pandemic. A portion of the American Rescue Plan (ARP) funding strengthened the Department's global capacity for medical response, diagnosis, and treatment of its workforce, including provision of COVID-19 vaccines. ARP funding also mitigated the profound impact of the COVID-19 pandemic on the Department's permanent change of station costs for employees traveling to and/or from post.

In 2022, visa and passport fee-based revenue continued to rebound from the precipitous decline in 2020, with passport demand returning to pre-COVID levels, but visa demand

recovering more slowly. In addition to the funding noted above, Congress extended expanded expenditure authority for the passport security surcharge, immigrant visa security surcharge, Western Hemisphere Travel Initiative surcharge, and fraud prevention and detection fees. These expenses have previously been covered by Machine Readable Visa fees generated from non-immigrant visa applications, but there were insufficient collections available in 2022.

Department of State-led foreign assistance programming played a key role in mitigating COVID-19 impacts among vulnerable populations, including migrants and host communities; and addressed urgent HIV/AIDS anti-retroviral commodities-related needs of clients exacerbated by COVID-19 disruptions. The Department also strengthened the capacity of international organizations to help mitigate the COVID-19 pandemic and provide urgent relief in line with the priorities and objectives of the UN Global Humanitarian Response Plan for COVID-19.

Limitation of Financial Statements

Management prepares the accompanying financial statements to report the financial position, financial condition, and results of operations for the Department of State pursuant to the requirements of Chapter 31 of the U.S. Code Section 3515(b). While these statements have been prepared from the books and records of the Department in accordance with FASAB standards using OMB Circular A-136, *Financial Reporting Requirements*, revised, and other applicable authority, these statements are in addition to the financial reports, prepared from the same books and records, used to monitor and control the budgetary resources. These statements should be read with the understanding that they are for a component of the U.S. Government, a sovereign entity.

Consolidated Customer Service Office Leverages Data to Measure Success



Six members of the IT Mart team stand together in the Harry S Truman building in Washington, D.C. *Department of State*

The Bureau of Information Resource Management (IRM) empowers the Department to achieve its foreign policy mission by providing modern, secure, and resilient IT and services. The bureau's foremost objective is to foster innovative, effective, and interconnected diplomacy by constantly improving, modernizing, and refreshing our tools and services. IRM supports new information technology solutions that provide access to collaborative tools and enable mobility while protecting our information and IT assets against cyber threats. With a renewed focus on customers, IRM has expanded its use of customer informed data to provide end users with accurate and useful information.

Throughout 2022, IRM's Office of Consolidated Customer Support (CCS) has been engaged in an extensive data collection and strategy effort. This effort was designed to measure the customer experience provided by IRM service owners by comparing data from 2022 with that

of 2021. CCS collected information ranging from the service incident type and average time to resolution, while customer profiles were leveraged to inform future processes. Data collection also encompassed granular details such as:

- Supporting more than 98,000 global customers with complaints
- Deploying 1,300 laptops and 7,565 desktops to bureau customers
- Supporting 15,381 critical/high priority incidents

As a result of this data collection effort, CCS has been able to measure improvement in its customer service processes. This work is crucial in ensuring the bureau supports data informed diplomacy at the Department and, as CCS Director Todd Cheng said in an *Interface Magazine* interview, "get customers back to supporting their own mission as quickly as possible."

Analysis of Systems, Control, and Legal Compliance

Management Assurances

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

Departmental Governance

Management Control Program

The Federal Managers' Financial Integrity Act (FMFIA) requires the head of each agency to conduct an annual evaluation in accordance with prescribed guidelines, and provide a Statement of Assurance (SoA) to the President and Congress. As such, the Department's management is responsible for managing risks and maintaining effective internal control.

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

The Department of State's (the Department's) management is responsible for managing risks and maintaining effective internal control and financial management systems to meet the objectives of Sections 2 and 4 of the Federal Managers' Financial Integrity Act. The Department conducted its assessment of risk and internal control in accordance with OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. Based on the results of the assessment, the Department can provide reasonable assurance that internal control over operations, reporting, and compliance was operating effectively as of September 30, 2022.

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires agencies to implement and maintain financial management systems that are in substantial compliance with Federal financial management system requirements, Federal accounting standards, and the U.S. Standard General Ledger at the transaction level. The Department conducted its evaluation of financial management systems for compliance with FFMIA in accordance with OMB Circular A-123, Appendix D. Based on the results of this assessment, the Department can provide reasonable assurance that its overall financial management systems substantially comply with principles, standards, and requirements prescribed by the FFMIA as of September 30, 2022.

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



Antony J. Blinken
Secretary of State
November 15, 2022

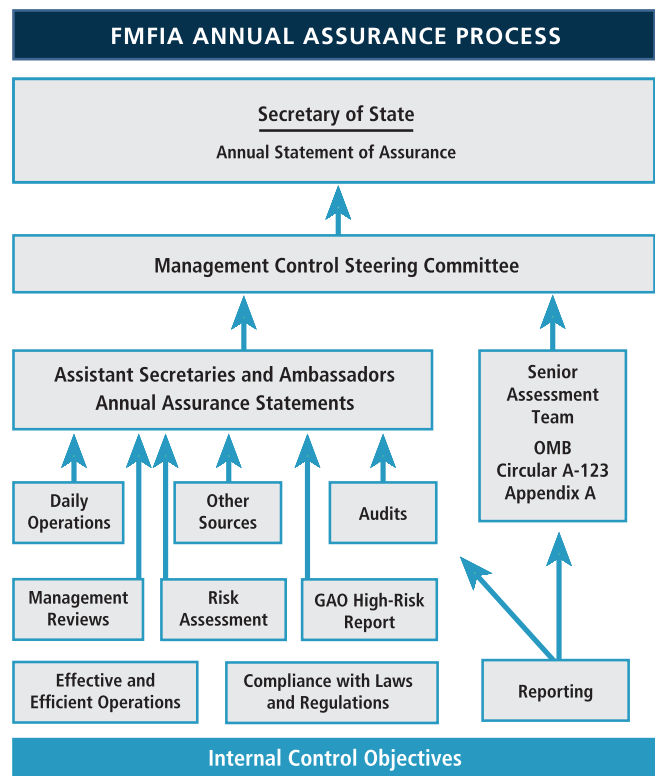
The FMFIA requires the Government Accountability Office (GAO) to prescribe standards of internal control in the Federal Government, which is titled GAO's *Standards for Internal Control in the Federal Government* (Green Book). Commonly known as the Green Book, these standards provide the internal control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

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

OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* provides implementation guidance to Federal managers on improving the accountability and effectiveness of Federal programs and operations by identifying and managing risks, establishing requirements to assess, correct, and report on the effectiveness of internal controls. OMB Circular A-123 implements the FMFIA and GAO's Green Book requirements. FMFIA also requires management to include assurance on whether the agency's financial management systems comply with Government-wide requirements. The financial management systems requirements are directed by Section 803(a) of the FMFIA and Appendix D to OMB Circular A-123, *Compliance with the Federal Financial Management Improvement Act of 1996*. The 2022 results are discussed in the section titled "Federal Financial Management Improvement Act."

The Secretary of State's 2022 Statement of Assurance for FMFIA is provided in Section I, Management's Discussion & Analysis, of this report. We have also provided a Summary of Financial Statement Audits and Management Assurances as required by OMB Circular A-136, *Financial Reporting Requirements*, revised, in the Other Information section of this report. In addition, there are no individual areas for the Department currently on GAO's bi-annual High-Risk List.

The Department's Management Control Steering Committee (MCSC) oversees the Department's management control program. The MCSC is chaired by the Comptroller, and is comprised of eight Assistant Secretaries, in addition to the Chief Information Officer, the Deputy Comptroller, the Deputy Legal Adviser, the



Director for the Office of Budget and Planning, the Director for Global Talent Management, the Director for Management Strategy and Solutions, the Director for the Office of Overseas Buildings Operations, and the Inspector General (non-voting). Individual SoAs from Ambassadors assigned overseas and Assistant Secretaries in Washington, D.C. serve as the primary basis for the Department's FMFIA SoA issued by the Secretary. The SoAs are based on information gathered from various sources including managers' personal knowledge of day-to-day operations and existing controls, management program reviews, and other management-initiated evaluations. In addition, the Office of Inspector General, the Special Inspector General for Afghanistan Reconstruction, and the Government Accountability Office conduct reviews, audits, inspections, and investigations that are considered by management.

The Senior Assessment Team (SAT) provided oversight during 2022 for the internal controls over reporting program in place to meet Appendix A to OMB Circular A-123 requirements. The SAT reports to the MCSC, is chaired by the Deputy Comptroller, and is comprised of 14 senior executives from bureaus that have significant responsibilities relative to the Department's financial resources, processes, and reporting. The SAT also includes executives from the Office of the Legal Adviser and the Office of Inspector General (non-voting). The Department employs a risk-based approach in evaluating internal

controls over reporting on a multi-year rotating basis, which has proven to be efficient. Due to the broad knowledge of management involved with the Appendix A assessment, along with the extensive work performed by the Office of Management Controls, the Department evaluated issues on a detailed level.

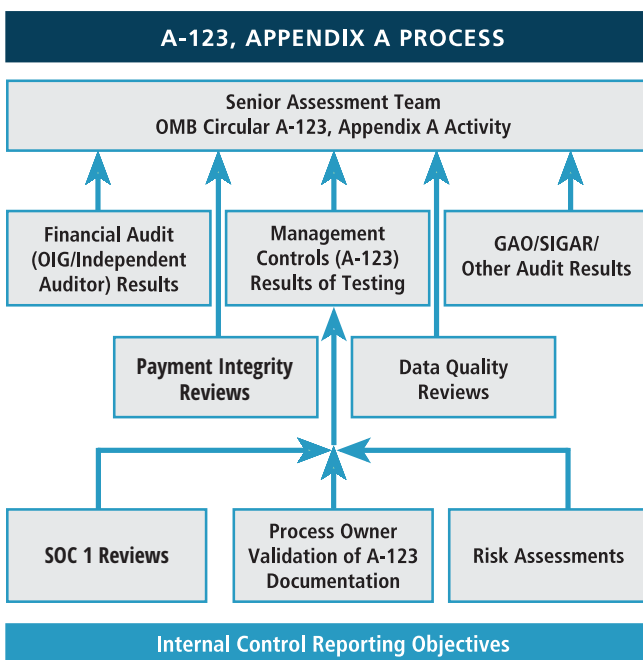
The Department's management controls program is designed to ensure full compliance with the goals, objectives, and requirements of the FMFIA and various Federal laws and regulations. To that end, the Department has dedicated considerable resources to administer a successful management control program. The Department's Office of Management Controls employs an integrated process to perform the work necessary to meet the requirements of OMB Circular A-123's Appendix A and Appendix C (regarding Payment Integrity), the FMFIA, and GAO's Green Book. Green Book requirements directly relate to testing entity-level controls, which is a primary step in operating an effective system of internal control. Entity-level controls reside in the control environment, risk assessment, control activities, information and communication, and monitoring components of internal control in the Green Book, which are further required to be analyzed by 17 underlying principles of internal control. For the Department, all five components and 17 principles were operating effectively and supported the Department's 2022 unmodified Statement of Assurance. The 2022 Circular A-123 Appendix A assessment did not identify any material weaknesses in the design or operation of the internal control over reporting. The assessment did identify several significant deficiencies in internal control over reporting that management is closely monitoring. The Department

complied with the requirements in OMB Circular A-123 during 2022 while working to evolve our existing internal control framework to be more value-added and provide for stronger risk management for the purpose of improving mission delivery.

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

During 2022, the Department continued taking important steps to advance its Enterprise Risk Management program. The Enterprise Governance Board (EGB), which is comprised of the Deputy Secretary and all Under Secretaries, serves as the Enterprise Risk Management Council. In this capacity, the EGB reviews the Department's risk profile at least once per year. The Department's Office of Management Strategy and Solutions serves as the Executive Secretariat to the EGB and manages the Department's overall risk management program. It is the Department's policy that advancement of U.S. foreign policy objectives inherently involves diverse types of risk, and the Department recognizes that taking considered risks can be essential to creating value for our stakeholders.

In October 2021, the Secretary stated as part of his Modernizing American Diplomacy agenda that "a world of zero risk is not a world in which American diplomacy can deliver. We have to accept risk, and manage it smartly." The Enterprise Governance Board reviewed the Department's risk management processes and risk posture during 2021. The EGB sets the tone and direction for risk management policies, communications, and training throughout the organization, and is considering ways to advance the Department's risk culture through improved policies and procedures; and employee engagement. The EGB affirmed that Bureaus have risk management activities built into a wide range of existing procedures and manage risk in a variety of ways, and incorporate mitigation strategies into strategic planning processes. In support of the Secretary's Modernization Agenda, M/SS released a Department-wide survey on risk culture. The purpose of this survey was to gain a better understanding of the current state of the Department's



risk culture, including where gaps and opportunities exist for better communication and implementation of the new policy. The data provided by this survey has been analyzed to inform our efforts as the Department designs a new Strategy to Advance the Department's Risk Culture in concert with the Secretary's Modernization Agenda. The data will also be used to support the Department's Learning Agenda. The Department looks forward to continued development of risk management processes in 2023.

Federal Financial Management Improvement Act

The purpose of the Federal Financial Management Improvement Act of 1996 (FFMIA) is to advance Federal financial management by ensuring that Federal financial management systems generate timely, accurate, and useful information with which management can make informed decisions and to ensure accountability on an ongoing basis.

OMB Circular A-123, Appendix D, *Compliance with the Federal Financial Management Improvement Act of 1996*, provides guidance the Department used in determining compliance with FFMIA. The Department considered results of audit reports from the Office of the Inspector General and the U.S. Government Accountability Office, annual financial statement audits, and other relevant information. The Department's assessment also relies upon evaluations and assurances under the Federal Managers' Financial Integrity Act of 1982 (FMFIA), including assessments performed to meet the requirements of OMB Circular A-123 Appendix A. When applicable, particular importance is given to any reported material weakness and material non-conformance identified during these internal control assessments. The Department has made it a priority to meet the objectives of the FFMIA.

Federal Information Security Modernization Act

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

The Department remains committed to adopting the best cybersecurity practices and embedding them into its culture. As a result, the agency continues to improve its cybersecurity posture and provide transparency internally and with external partners in other Federal agencies.

The Department's 2022 Annual FISMA Report demonstrates its continued efforts to improve IT security by prioritizing and aligning initiatives with Executive Order 14028. The Department continues to invest in a Zero Trust architecture, expanding the number of systems utilizing secure cloud capabilities, and implementing Multi-Factor Authentication and data-at-rest data-in-transit encryption across the enterprise. The Department is also establishing the National Institute of Standards and Technology Supply Chain Risk Management Framework to identify critical software and secure hardware and software purchases to enhance its IT security environment. The Department plans to continue refining and implementing risk management indicators, developing cybersecurity governance policies, and collaborating with partners across the Federal Government to guide investment and leadership decisions and enhance the overall cybersecurity posture.

In 2021, 236 FISMA systems were authorized out of 436, or 54 percent. In 2022, 311 FISMA systems were authorized out of 436, or 71 percent. This demonstrates an increase in the number of authorized systems by 17 percent. Currently, the percentage of high impact systems authorized is 92 percent, while the percentage of moderate impact systems authorized has reached 86 percent. The creation of the Assessment and Authorization Project Management Office and iSchedule tool have increased reporting accuracy, scheduling, and resource management in the execution of system assessments and authorizations.

Other areas of focus include improving high value asset encrypted data-at-rest, currently at 41 percent encryption, and high value assets reconfiguring or disabling upon detecting a security violation currently at 22 percent. While improvements in statistics are likely to occur in the next fiscal year, these efforts will require multi-year attention.

Resource Management Systems Summary

Other Information, Section III of this AFR, provides an overview of the Department's current and future resource management systems framework and systems critical to effective agency-wide financial management operations, financial reporting, internal controls, and interagency

administrative support cost sharing. This summary presents the Department's resource management systems strategy and how it will improve financial and budget management across the agency. This overview also contains a synopsis of critical projects and remediation activities that are planned or currently underway. These projects are intended to modernize and consolidate Department resource management systems.

Antideficiency Act

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

The Department accounts and reports on 530 Treasury Account Fund Symbols (TAFS) annually. In addition, the Department operates in a complex financial environment with cash transactions processed all over the world in multiple foreign currencies. Consequently, there are instances where a Department TAFS has a negative Fund Balance with Treasury. These situations are considered potential violations of the ADA until fully investigated by the Department. Since 2009, five TAFS continue to be reported with negative balances and remain under investigation at the end of 2022. Amounts outstanding and reported as negative TAFS at the end of 2022 were immaterial to the Department's financial statements. The Department is committed to strengthening existing controls and reconciliation efforts around the use of appropriated funds and that any violation of the ADA, if confirmed, will be reported to Congress, GAO, and the President.

Prompt Payment Act

The Prompt Payment Act (PPA) 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. While the Department maintains a high PPA compliance rate for domestic vendor payments, it does not consistently calculate or pay interest penalties for overdue payments to overseas vendors. This is due to the complexity and challenges that the Department faces as we operate in over 270 locations in over 180 countries, often in hostile environments, while conducting business in over 135 currencies. Regardless, the Department will make efforts in 2023 and beyond to achieve the highest standard of PPA compliance with overseas vendors while working to accommodate host country and local laws and conventions as well as critical mission needs.

Management Challenges: Providing an Independent Statement of the Agency

In the 2022 annual statement, the Department's OIG identified the most serious management and performance challenges for the Department. These challenges were identified in the areas of: protecting people and facilities; managing and overseeing contracts, grants, and foreign assistance; managing and securing information; managing finances and property; operating in contingency and critical environments; managing the workforce; and promoting accountability through internal coordination and clear lines of authority.

The Department's challenges and management's response to them may be found in the Other Information section of this report.



Deputy Secretary of State Wendy Sherman meets with women leaders from countries participating in the Fortune-U.S. Department of State Global Women's Mentoring Program in Washington, D.C., May 11, 2022. *Department of State*

Forward-Looking Information

Climate Change

President Biden has declared combating the global climate crisis as one of the four “historic” crises confronting the United States, and reasserting U.S. leadership on climate as one of his highest international priorities. On January 27, 2021, he issued Executive Order 14008 on Tackling the Climate Crisis at Home and Abroad, which committed the Administration to “put the climate crisis at the center of foreign policy and national security.”

Under this Order, the President created the position of the Special Presidential Envoy for Climate (SPEC). He named former Secretary of State John Kerry to hold the position with a mandate to lead diplomatic engagement on the climate crisis, exercise climate leadership in international fora, increase international climate ambition and ensure that climate change is integrated into all elements of the Administration’s foreign policy-making processes. The SPEC office is playing a leadership and coordinating role across all relevant U.S. agencies and elements of the Department, including the Department’s existing climate diplomacy structures, to execute the climate diplomacy mission.

The Department’s Bureau of Oceans and International Environmental and Scientific Affairs, Office of Global Change (OES/EGC) has been the Department’s long-running permanent program office for climate issues. SPEC Kerry, the SPEC staff office, and OES/EGC staff are fully integrated and coordinated in advancing the Administration’s international climate policy strategy. The agency’s Chief Sustainability Officer, the Under Secretary for Management, has oversight on climate risks to Department operations. The Chief Sustainability Officer is supported by the Deputy Chief Sustainability Officer and Greening Diplomacy team in the Office of Management Strategy and Solutions, which coordinates relevant plans and actions across the Department. Refer to the Other Information section of this report for more information on Climate-Related Financial Risk, the Department’s Climate Adaptation and Resilience Plan (CARP), and work to date to assess and mitigate climate risks for the Department’s supply chains, facilities, and personnel.



Secretary Blinken holds a town hall conversation with the Under Secretariat for Economic Growth, Energy, and the Environment in Washington, D.C., June 16, 2022. *Department of State*

Impact of the Suspension of Operations in Afghanistan

This August 2022 marked a year since the Department – working closely with other agencies – helped carry out the extraordinary task of evacuating 124,000 people from Afghanistan, including around 6,000 fellow Americans.

It was a massive diplomatic, military, and humanitarian undertaking, critical to the larger mission of ending the U.S. military presence in Afghanistan after 20 years. And after the evacuation, we provided much-needed support to Afghan evacuees as they embarked on new lives in new countries.

The U.S. Embassy in Kabul and adjacent compounds were evacuated and on-site operations were suspended in August 2021, except for the continued physical monitoring and protection of the facilities. The Department conducted an analysis in accordance with Federal accounting standards to evaluate any impairments to assets and real property. As a result of this analysis, the Department concluded an adjustment to reduce the useful life of the real property was necessary. See the description of the accounting adjustments

Did You Know?

Condoleezza Rice was the first African American woman to serve as Secretary of State. She was the 66th Secretary of State.

More information on former Secretaries can be found at: <https://history.state.gov/departmenthistory/people/secretaries>

made in Note 6, *General Property and Equipment, Net*. The Department maintains title and ownership of the Kabul embassy and adjacent compounds. At this time, the Department has not made a decision to dispose of or abandon real property assets in Kabul as the Department intends to resume its diplomatic functions in the future (these functions are currently being performed from another location). As conditions change, the Department will re-evaluate the Embassy property and apply the appropriate accounting treatment.



Secretary Blinken meets with staff from the Coordinator for Afghan Relocation Efforts in Washington, D.C., July 27, 2022.
Department of State



Secretary Blinken and Secretary of Defense Lloyd Austin visit Kyiv, Ukraine, April 24, 2022. *Department of State*

Russia's War of Aggression Against Ukraine

The United States unequivocally rejects Russia's fraudulent attempt to change Ukraine's internationally recognized borders, including by holding sham "referenda" in Ukraine's Luhansk, Donetsk, Kherson, and Zaporizhzhya regions. This is a clear violation of international law and the United Nations Charter. In response, the United States and our allies and partners are imposing swift and severe costs on additional Russian government officials, their family members, Russian military officials, and defense procurement networks, including international suppliers supporting Russia's military-industrial complex.

As of September 20, 2022, the Department of State has taken action to impose visa restrictions on 910 individuals, including members of the Russian Federation military, and

Russia's proxies for violating Ukraine's sovereignty, territorial integrity, and political independence, and Belarusian military officials for their complicity in Russia's invasion of Ukraine.

We are also working collaboratively with other agencies, including the Departments of Treasury and Commerce, to impose sanctions on specific members of Russia's government and Russian Nationals, and will hold to account any individual, entity, or country that provides political or economic support for Russia's illegal attempts to change the status of Ukrainian territory.

As of September 30, 2022, the Embassy in Kyiv was still actively providing services and has not sustained any damage from Russia's war of aggression against Ukraine that would trigger an impairment of Federal assets or real property. The United States will continue to provide vital economic, humanitarian, and security assistance so Ukraine can defend itself and take care of its people.

The Department's Enterprise Data Strategy

The Department is adapting to an ever-evolving global landscape, and the need for data-driven insights and an increase in technological innovation are vital to this effort. The Department's first-ever Enterprise Data Strategy (EDS) was signed in September 2021 by Deputy Secretary of State for Management and Resources Brian P. McKeon and represents the dedicated efforts of a diverse team across the Department that are guiding our digital transformation efforts. This strategy is a catalyst for cultural change in the Department toward harnessing the power of data for diplomacy. When our foreign affairs professionals are equipped with high-quality and timely data, we can make the world safer, more just, and less divided. Not only does the EDS ensure data is used as an instrument of diplomacy, it also fulfills mandates in the Federal Data Strategy and Evidence Act and supports the Secretary's Modernization Agenda. The full EDS can be found at <https://www.state.gov/the-department-unveils-its-first-ever-enterprise-data-strategy/>.

Through four goals and five guiding principles, the EDS ensures that Department of State staff are equipped with

the tools they need to make key mission and management decisions. Data represents an essential tool to maintain the United States' competitive advantage in the rapidly evolving global landscape and is a critical instrument of diplomacy.

To ensure the EDS stays relevant to a changing world, the EDS does not adhere to pre-determined metrics and milestones. Instead, the Department implements the EDS through a series of thematic campaigns focused on key Department priorities. Every six months, the Enterprise Data Council – the Department's senior data governance body – recommends one foreign policy and one management campaign to receive dedicated data science, data technology, data management, and communications surge support to increase data maturity and deliver policy solutions. During 2022, the Department implemented Strategic Competition with the People's Republic of China and Multilateralism as its foreign policy campaigns, and it implemented Diversity, Equity, Inclusion, and Accessibility (DEIA) and Cybersecurity as its management campaigns. Read more about the Enterprise Data Strategy campaigns in Section II of this report.

VISION
Data is a critical instrument of diplomacy, the Department's global workforce is empowered with the skills and tools to derive actionable mission insights from data, and its data assets are securely shared and effectively managed.

GOALS & OBJECTIVES

<p>1 CULTIVATE A DATA CULTURE</p> <ul style="list-style-type: none"> 1.1 Strengthen Data Fluency 1.2 Enhance Data Collaboration 1.3 Hire for the Future 	<p>2 ACCELERATE DECISIONS THROUGH ANALYTICS</p> <ul style="list-style-type: none"> 2.1 Deliver Analytic Products 2.2 Provide Modern Analytic Tools 2.3 Pilot and Scale AI and ML Applications 	<p>3 ESTABLISH MISSION-DRIVEN DATA MANAGEMENT</p> <ul style="list-style-type: none"> 3.1 Enable Access to Data 3.2 Define Data Architecture 3.3 Define and Implement Data Standards 3.4 Establish Data Quality Program 	<p>4 ENHANCE ENTERPRISE DATA GOVERNANCE</p> <ul style="list-style-type: none"> 4.1 Institute Data Governance Operating Model 4.2 Develop Data Policy 4.3 Measure the Organizational Value of Data and Analytics
---	---	---	---

GUIDING PRINCIPLES

<p>SHARED</p> <p>Data is appropriately shared across the Department through collective stewardship to enable analysis across the enterprise and enhance its value.</p>	<p>APPLIED</p> <p>Data is broadly understood and applied to inform evidence-based decisions at all levels and missions across the globe.</p>	<p>GOVERNED</p> <p>Effective oversight and management of data enables the Department's applications through improved data quality, simplified use, and investment decisions prioritized by mission impact.</p>	<p>ETHICAL</p> <p>Data is responsibly collected, stored, and utilized to provide accountability to the U.S. taxpayer and uphold the highest levels of scientific and data integrity.</p>	<p>SECURE</p> <p>Data is safeguarded through industry leading security practices at each classification level to protect U.S. national interests at home and abroad.</p>
---	---	---	---	---

eds
enterprise data strategy

EDS Four Goals & Five Guiding Principles. *Department of State*

Using Data to Modernize the Passport Process



A DS-11 form which now features an “X” gender option, along with a U.S. Passport book and a display of the mobile-friendly travel.state.gov website. *Department of State*

Data collection and analysis play a key role in ensuring the Bureau of Consular Affairs (CA) has the resources it needs to fulfill the Department’s strategic goals. CA’s Office of the Comptroller collects data related to consular work, including detailed analytics covering productivity, staffing, demand, cost, and budget, from bureaus and directorates across the Department and incorporates these data points into a model that generates precise unit costs. This model, the Cost-of-Service Model, calculates the value cost of every CA service. Examples include the resources needed to process a passport or to replace a lost passport. Department policy, based on statutory guidance, requires fees to recover costs in full and thus avoid financing consular services through general tax increases or deficit spending.

CA’s ability to run data through this complex modeling process resulted in a fee increase for a U.S. passport from \$110 to \$130 in December 2021. The increase furthered CA’s ability to provide enhanced border security and push modernization efforts forward. Significant efforts include the Next Generation Passport book, which CA began issuing in 2021. This state-of-the-art technology makes counterfeiting or altering more difficult, thereby protecting the passport holder, America’s borders, and the American people. In addition, in December 2021, CA unveiled a pilot program that allows Americans to renew passports online. This new approach cuts time and costs, while enhancing the customer experience. Online Passport Renewal is expected to be widely available to the public later in 2023.

As a bureau that earns most of its revenue through fees, CA depends upon continued data collection to ensure its investments result in product enhancements and customer service improvements aimed at serving U.S. citizens and facilitating secure international travel.



An example of the new Next Generation Passport with new features highlighted. *Department of State*

Global Business Intelligence Unit

Providing accurate and high value financial information is central to the Bureau of the Comptroller and Global Financial Services (CGFS) mission in support of the Department of State and U.S. diplomacy. In its role as data provider for the Department’s global financial operations, CGFS is committed to providing timely, accurate, and actionable information to its global stakeholders.

CGFS created the Global Business Intelligence (BI) program to further its mission in alignment with the Secretary’s agenda to Modernize American Diplomacy. Global BI was developed as an accountable, efficient, and transparent platform that provides financial analytics and insights. Looking forward, CGFS continues to invest in its customer base by improving the speed at which new features are implemented for customers, deploying toolkits, and improving its customer engagement.

The initiatives described below are some of CGFS’s noteworthy, recent accomplishments in data informed diplomacy.

OBO Smart Lease Dashboard

The Bureau of Overseas Buildings Operations (OBO) is responsible for the management of State’s roughly 15,000 international leases. OBO must make limited funds available to the right post at the right time to support the field in making timely, accurate payments for those leases. To support this process, OBO partnered with CGFS to create a Smart Lease Dashboard, which merges OBO’s leasing data with CGFS overseas financial data, provides projections for post funding needs, and alerts managers when posts may need more support.

ICASS Service Financial Tracking Solution

The International Cooperative Administrative Support Services (ICASS) Service Center is currently undertaking a rigorous tracking process for its services. The ICASS Service Center leveraged CGFS’s Global BI platform as part of an initiative to automate this tracking. In working with the Global BI team, the ICASS Service Center was able to simplify the counting of financial cost center workloads and successfully connect nearly 4.3 million lines



Employees from the Global Business Intelligence Unit work with data during a presentation and pose for a group picture.
Department of State

of fiscal data processed overseas to ICASS Agency Codes. For the first time, posts will be provided with a count of fiscal data processed in the counting period by ICASS agency code.

Afghanistan Evacuation Congressional Reporting

Global BI, working with the Bureau of Budget and Planning and other partner bureaus, created the Afghanistan Evacuation Congressional Reports to track the expenditure of emergency funds to support the large-scale evacuation during the final days of the war in Afghanistan. Global BI worked with the Office of Emergencies in the Diplomatic and Consular Service to capture use of emergency funds, using a combination of different project, revenue, and appropriation codes. This work included tying together multiple State financial systems and external data files. These reports allowed the Department to provide Congress with an accurate picture of spending.

Section II:

Financial Section

Message from the Comptroller

It is my sincere honor to present the fiscal year (FY) 2022 Agency Financial Report (AFR), including this year's audited financial statements, on behalf of the Department of State, in my new role as the Department's Comptroller. The AFR is our principal financial report to the President, Congress, and the American people and reflects the Department's steadfast commitment to deliver the highest standard of financial accountability and transparency to the American people. It also demonstrates the strong stewardship and care over the finite resources entrusted to us to lead America's global diplomatic efforts and achieve our essential foreign affairs mission. The theme of this year's AFR, *Data Informed Diplomacy*, underscores the importance and impact of data in the conduct of diplomacy and how we use data and data tools to support and improve decision making. We know that financial data integrity and availability plays an important role in this process. It is also important to remember that our financial data, including the facts and figures presented in this AFR, represents the challenging financial management work performed daily by the Department's professionals around the world.

The scope and complexity of the Department's global mission and operations, and corresponding financial activities, is immense. The Department operates in more than 270 embassies and consulates around the world. We conduct business on a 24/7 basis in over 135 currencies; account for \$83 billion in budgetary resources and nearly \$116 billion in assets in over 500 separate fiscal accounts; and manage real and personal property assets with historical costs of more than \$44 billion. As noted in the Secretary's message,



James A. Walsh,
Comptroller

we are prioritizing the modernization agenda, and relying on harnessing technology and data to inform and advance our diplomacy.

In delivering the Department's financial programs, the Bureau of the Comptroller and Global Financial Services (CGFS) continues to implement smart investments in transformative financial systems and operations to improve our global financial operations, reporting, and compliance. These investments provide a cost-effective enterprise-wide financial framework able to generate accurate and timely financial data. Further use of data as a resource, enterprise system integration, and process automation will drive the Department's ongoing transformational efforts in ways that

improve accountability and performance, strengthen the delivery of global financial services, and foster data-informed decision making. We are also putting a strong emphasis on consistent customer input or customer experience to system and solution delivery to better meet mission needs and customer expectations. Our support of these efforts, together with our need to be responsible stewards of data, requires that we continuously enhance our financial systems and data. To that end, as required by the Digital Accountability and Transparency Act of 2014 (DATA Act), the Department reports financial and payment information on the Department's spending to the public using *USASpending.gov*, and continues to work to achieve 100 percent accuracy of this data. Our ISO 9001 certified operations and Capability Maturity Model Integration (CMMI) standard for financial systems development help us deliver quality financial services and systems focused on improvement, customers, and the mission.

We know strong and effective internal controls are fundamental to our success, and we embrace our

Department-wide leadership role in promoting them. We are pleased to report that the Department maintains a comprehensive, sound internal controls system, which is validated by senior leadership. For 2022, no material weaknesses in internal controls were identified by the Senior Assessment Team or the Management Control Steering Committee. As a result, the Secretary was able to provide reasonable assurance on the effectiveness of the Department's internal controls in accordance with the Federal Managers' Financial Integrity Act (FMFIA). The Secretary also provided assurance that the Department's financial systems were in substantial compliance with the Federal Financial Management Improvement Act (FFMIA). As highlighted in the AFR, the Department does not have any programs at risk for making significant improper payments. We continuously conduct payment risk assessments and recapture audits, as well as verifications against Treasury's Do Not Pay databases. In its most recent annual assessment, the OIG found the Department's improper payments program to be in compliance with the Payment Integrity Information Act (PIIA). Finally, I am pleased to report AGA again awarded the Department the prestigious *Certificate of Excellence in Accountability Reporting* in recognition of the exceptional quality of our 2021 AFR.

The annual independent audit is another essential element of our commitment to strong corporate governance and effective internal controls. The audited financial statements in the following pages represent the culmination of a rigorous annual process with our partners: the Office of the Inspector General (OIG) and the independent auditor, Kearney & Company. Given the financial complexities and unpredictability of the global operating environment in 2022, there are always opportunities to improve, challenges to address, and issues that require further clarification as we meet Government-wide compliance and accounting standards.

For 2022, the Department received an unmodified ("clean") audit opinion on its 2022 and 2021 financial statements, with no material weaknesses in internal controls over financial reporting identified by the Independent Auditor. The results herein reflect several significant improvements from prior years, as identified by the external auditor.

We are pleased with the outcome of this year's audit. I would like to extend a sincere note of congratulations and thanks to the Department's outstanding management and financial teams across all bureaus and posts, who are the foundation of this accomplishment. We fully recognize and appreciate there are items noted in the AFR and the Independent Auditor's report that require our continued attention, diligence, and improvement as well as new compliance requirements to be smartly managed. Given the complex nature of our global operations, there will always be opportunities for improvements. We are up to the task and resolved to be effective stewards of the Department's financial resources to further our essential foreign affairs mission and deliver financial accountability to the American people.

Sincerely,



James A. Walsh
Comptroller
November 15, 2022



Office of Inspector General
United States Department of State

UNCLASSIFIED

November 15, 2022

INFORMATION MEMO FOR THE SECRETARY

FROM: OIG – Diana R. Shaw, Senior Official Performing the Duties of the Inspector
 General

A handwritten signature in blue ink that reads "Diana R. Shaw".

SUBJECT: *Independent Auditor's Report on the U.S. Department of State FY 2022 and
 FY 2021 Financial Statements (AUD-FM-23-07)*

An independent external auditor, Kearney & Company, P.C., was engaged to audit the financial statements of the U.S. Department of State (Department) as of September 30, 2022 and 2021, and for the years then ended; to report on internal control over financial reporting; to report on whether the Department's financial management systems substantially complied with the requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA); and to report on compliance with laws, regulations, contracts, and grant agreements. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget audit guidance.

In its audit of the Department's FY 2022 and FY 2021 financial statements, Kearney & Company found:

- the financial statements as of and for the fiscal years ended September 30, 2022 and 2021, are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America;
- no material weaknesses¹ in internal control over financial reporting;
- four significant deficiencies² in internal control, specifically related to property and equipment, validity and accuracy of unliquidated obligations, financial reporting, and information technology; and
- two instances of reportable noncompliance with certain provisions of laws, regulations, contracts, and grant agreements tested, specifically the Antideficiency Act and the Prompt Payment Act.

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

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

UNCLASSIFIED

Kearney & Company is responsible for the attached auditor's report, which includes the Independent Auditor's Report; the Report on Internal Control Over Financial Reporting; and the Report on Compliance With Laws, Regulations, Contracts, and Grant Agreements, dated November 15, 2022; and the conclusions expressed in the report. The Office of Inspector General (OIG) does not express an opinion on the Department's financial statements or conclusions on internal control over financial reporting and compliance with laws, regulations, contracts, and grant agreements, including whether the Department's financial management systems substantially complied with FFMIA.

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

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

Attachment: As stated.

www.stateoig.gov

UNCLASSIFIED



1701 Duke Street, Suite 500, Alexandria, VA 22314
PH: 703.931.5600, FX: 703.931.3655, www.kearneyco.com

INDEPENDENT AUDITOR'S REPORT AUD-FM-23-07

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 accompanying financial statements of the U.S. Department of State (Department), which comprise the consolidated balance sheets as of September 30, 2022 and 2021; the related consolidated statements of net cost and changes in net position and the combined statements of budgetary resources for the years then ended; and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Department as of September 30, 2022 and 2021, and its net cost of operations, changes in net position, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 22-01, "Audit Requirements for Federal Financial Statements." Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Department and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 12 months beyond the financial statement date.

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 *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 *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 (hereinafter referred to as "required supplementary information") 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 required supplementary information in accordance with GAAS, which consisted of making inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

In connection with our 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. 22-01, we have also issued reports, dated November 15, 2022, 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 applicable laws, regulations, contracts, and grant agreements for the year ended September 30, 2022. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 22-01 and should be considered in assessing the results of our audits.

A handwritten signature in blue ink, appearing to read "Kearney & Company".

Alexandria, Virginia
November 15, 2022



1701 Duke Street, Suite 500, Alexandria, VA 22314
PH: 703.931.5600, FX: 703.931.3655, www.kearneyco.com

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. 22-01, "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, 2022, and we have issued our report thereon dated November 15, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 22-01. 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. We identified certain deficiencies in internal control, described below, that we consider to be significant deficiencies.

¹ Federal Managers' Financial Integrity Act of 1982, Public Law No. 97-255, 96 STAT 814 (September 8, 1982).



Significant Deficiencies

I. Property and Equipment

The Department reported more than \$28 billion in net property and equipment on its FY 2022 consolidated balance sheet. Real and leased 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 2022, the Department's internal control structure continued to exhibit several deficiencies that negatively affected the Department's ability to account for real and personal 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 acquiring and managing real property in foreign countries on behalf of civilian U.S. Government agencies. We identified real property acquisitions and disposals overseas that were not recorded by the Department in a timely manner or for which the Department did not provide adequate supporting documentation. Although the Department performs certain controls, such as a quarterly data call, to identify acquisitions and disposals related to overseas real property, the controls did not ensure that all real property transactions were recorded in the proper fiscal year. The untimely processing of property acquisitions and disposals resulted in misstatements in the Department's asset balances.
- **Domestic Construction Projects** – In most cases, the Department pays for the renovation or improvement of facilities that are occupied by the Department but are managed² by the General Services Administration (GSA). The Department's policies require the capitalization of major real property renovations or leasehold improvements of \$1 million or more. For construction projects in buildings that were occupied by the Department but were managed by other federal agencies, such as GSA, we found that the Department recorded construction costs as operating expenses rather than construction in progress (an asset account), even when the costs exceeded \$1 million (the capitalization threshold). The Department does not have sufficient policy and procedures specific to the accounting treatment for improvements to domestic real property managed by other federal agencies.

To determine the correct accounting treatment of these transactions, the Department, the Department of the Treasury, and GSA jointly submitted a technical inquiry to the Federal Accounting Standards Advisory Board (FASAB)³ for guidance. FASAB has not responded to the technical inquiry. Without guidance from FASAB that would allow the

² GSA-managed properties include those that are owned or leased by GSA.

³ FASAB issues federal financial accounting standards and provides guidance on those standards.



Department to resolve the issue, the Department may not appropriately and consistently account for domestic real property transactions; thus, understating assets and overstating expenses in the Department's financial statements.

- Leases – The Department manages 16,895 overseas real property leases. The majority of the Department's leases are short-term operating leases. The Department must disclose the future minimum lease payments related to the Department's operating lease obligations in the notes related to the financial statements. We found numerous recorded lease terms that did not agree with supporting documentation. The Department's processes to record lease information were not always effective. The errors resulted in misstatements in the Department's notes related to the 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 were not recorded in the correct fiscal year. In addition, we found that the acquisition value or the acquisition date recorded for numerous selected items could not be supported or was incorrect. Furthermore, we found that the gain or loss recorded for some personal property disposals was not recorded properly. The Department's internal control structure did not ensure that personal property acquisitions and disposals were recorded in a complete, timely, and accurate manner. In addition, the Department's monitoring activities were not effective to ensure proper financial reporting for personal property. The errors resulted in misstatements to the Department's financial statements. The lack of effective control 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, to conduct business. Applications in the development phase are considered software in development (SID). Agencies are required to report software as property in their financial statements. We identified instances in which the data recorded for SID were unsupported or inaccurate. We also identified some instances in which completed projects were not transferred from SID to the internal use software account in a timely manner. One reason this occurred was that the Department did not complete its quarterly data call process during the first two quarters of FY 2022, which limited the Department's ability to collect current and accurate information from project managers. In addition, the data call process, when performed, was not sufficient because it relied on the responsiveness and understanding of individual project managers, not all of whom understood the accounting requirements for reporting SID. Furthermore, the Department did not have an effective process to confirm that information provided by project managers was complete or accurate. The errors resulted in misstatements to the Department's financial statements.



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's policies and procedures provide guidance that requires allotment holders to perform at least monthly reviews of ULOs. Weaknesses in controls over ULOs were initially reported during the audit of the Department's FY 1997 financial statements. We continued to identify a significant number and amount of invalid ULOs based on expired periods of performance, inactivity, lack of supporting documentation, and the inability to support bona fide need.

Although the Department takes steps to remediate long-standing ULO validity issues through its annual ULO review, the scope of the review does not include all ULOs. Overseas ULOs and domestic ULOs that do not meet the annual domestic review categories established by the Department continue to be a risk for invalidity. Furthermore, not all allotment holders were performing periodic reviews of ULO balances as required. As a result of the invalid ULOs that were identified by our audit, the Department adjusted its FY 2022 financial statements. In addition, funds that could have been used for other purposes may have remained open as invalid ULOs, and the risk of duplicate or fraudulent payments increased.

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 2022, the audit continued to identify control limitations, and we concluded that financial reporting remained a significant deficiency.

In some cases, appropriated funds are required to be transferred to another agency 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 2022, the Department made significant child fund transfers to three agencies. To obtain audit coverage of the Department's most significant child funds, we requested that the financial statements auditors of two of the three agencies perform certain audit steps. One of those auditors identified numerous invalid ULOs. In addition, during our FY 2021 financial statement audit, we requested that the Department obtain detailed financial information from the third agency, which received a less significant amount of child funds from the Department. However, we found that the data provided by this agency were not complete or accurate and did not reconcile to its trial balance data. During our FY 2022 financial statement audit, Department officials indicated that they had not implemented new controls to ensure that complete and accurate child fund data were available. 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. For example, the Department did not communicate effectively with child fund agencies to ensure that the validity of ULOs was reviewed periodically. In addition, the Department did not have a routine process to ensure that transaction-level details were readily available from the other agencies and were auditable. Without an



effective process to accurately 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 2022 information security program, in accordance with the Federal Information Security Modernization Act of 2014 (FISMA).⁴ During that audit,⁵ we concluded that the Department did not have an effective organization-wide information security program. Specifically, we determined that eight of nine domains included in the "FY 2022 Core IG FISMA Metrics Evaluation Guide" 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 timely authorize and reauthorize the Department's information systems to operate⁶ as well as inconsistent and ineffective scanning processes to identify and remediate vulnerabilities.

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

We considered the weaknesses and deficiencies identified during the FISMA audit to be a significant deficiency within the scope of the FY 2022 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.

⁴ Public Law 113-283, 128 STAT. 3079-3080 (December 18, 2014).

⁵ Office of Inspector General, *Audit of the Department of State FY 2022 Information Security Program* (AUD-IT-22-43, September 2022).

⁶ According to the National Institute of Standards and Technology, Special Publication 800-37, rev. 2, "Risk Management Framework for Information Systems and Organizations," December 2018, page 91, an authorization to operate is "the official management decision given by a senior Federal 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."



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

Status of Prior Year Findings

In the Independent Auditor’s Report on Internal Control Over Financial Reporting that was included in the audit report on the Department’s FY 2021 financial statements,⁷ we noted several issues that were related to internal control over financial reporting. The status of the FY 2021 internal control findings is summarized in Table 1.

Table 1. Status of Prior Year Findings

Control Deficiency	FY 2021 Status	FY 2022 Status
Property and Equipment	Significant Deficiency	Significant Deficiency
Budgetary Accounting	Significant Deficiency	Management Letter
Validity and Accuracy of Unliquidated Obligations	Significant Deficiency	Significant Deficiency
Financial Reporting	Significant Deficiency	Significant Deficiency
Information Technology	Significant Deficiency	Significant Deficiency

Department’s Response to Findings

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

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. 22-01 in considering the entity’s internal control over financial reporting. Accordingly, this report is not suitable for any other purpose.

Alexandria, Virginia
November 15, 2022

⁷ Office of Inspector General, *Independent Auditor’s Report on the U.S. Department of State FY 2021 and FY 2020 Financial Statements* (AUD-FM-22-10, November 2021).



1701 Duke Street, Suite 500, Alexandria, VA 22314
PH: 703.931.5600, FX: 703.931.3655, www.kearneyco.com

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. 22-01, "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, 2022, and we have issued our report thereon dated November 15, 2022.

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 certain provisions of 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 instances of noncompliance or potential noncompliance that are required to be reported under *Government Auditing Standards* and OMB Bulletin No.22-01 and which are summarized as follows:

- *Antideficiency Act*.² This act prohibits the Department from (1) making or authorizing an expenditure from, or creating or authorizing an obligation under, any appropriation or fund in excess of the amount available in the appropriation or fund unless authorized by law; (2) involving the Government in any obligation to pay money before funds have been appropriated for that purpose, unless otherwise allowed by law; or (3) making obligations or expenditures in excess of an apportionment or reappropriation, or in excess of the amount permitted by agency regulations. Our audit procedures identified Department of the Treasury account fund symbols with negative balances that were potentially in violation of the Antideficiency Act. Conditions impacting the Department's

¹ Federal Financial Management Improvement Act of 1996, Public Law No. 104-208, 110 STAT. 3009 (September 30, 1996).

² Antideficiency Act, Public Law No. 97-258, 96 STAT. 923 (September 13, 1982).



compliance with the Antideficiency Act have been reported annually since our FY 2009 audit.

- *Prompt Payment Act.*³ 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 found 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 accounting standards, or application of the United States Standard General Ledger at the transactional level.

During the audit, we noted certain additional matters involving compliance that we will report to Department management in a separate letter.

Department's Response to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of compliance with laws, regulations, contracts, and grant agreements and the results of that testing and not to provide an opinion on the effectiveness of the entity's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 22-01 in considering the entity's compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Kearney & Company".

Alexandria, Virginia
November 15, 2022

³ 31 United States Code § 39, "Prompt Payment."



Appendix A

United States Department of State


Comptroller

Washington, DC 20520

November 14, 2022

UNCLASSIFIED
MEMORANDUM

TO: OIG – Diana Shaw, Senior Official Performing the Duties of the Inspector General

FROM: CGFS – James A. Walsh, Comptroller 

SUBJECT: Draft Report on the Department of State's Fiscal Year 2022 Financial Statements

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

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

We value accountability in all we do, and the discipline of the annual external audit process and the issuance of the Department's audited financial statements represents our commitment to this accountability to the American people. This is my first Agency Financial Report (AFR) in the Comptroller's seat. I'm sure that few outside the financial management community fully realize the time and effort that go into producing the audit and the AFR. The collaboration, issues resolution, and pursuit to strengthen our financial management across all parties is outstanding. We may not agree on every aspect of the process and findings; however, 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. We know there always will be new challenges and concerns given our global operating environment and scope of compliance requirements. The overall results of the audit reflect the continuous improvement and strong performance we strive to achieve in the Bureau of the Comptroller and Global Financial Services (CGFS) and across the Department's financial management community.

We are pleased to learn the Independent Auditor's Report concludes the Department has received an unmodified ("clean") audit opinion on its FY 2022 and FY 2021 principal financial statements. Moreover, the audit reflects no material weaknesses. The report reflects progress made, including the elimination of a Significant Deficiency in Budgetary Accounting.

UNCLASSIFIED

2

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 2022, no material management control issues or material weaknesses in internal controls over financial reporting were identified by senior leadership. As a result, the Secretary was able to provide an unmodified Statement of Assurance for the Department's overall internal controls and internal controls over financial reporting in accordance with the Federal Managers' Financial Integrity 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 addressing these issues in the coming year.

Introducing the Principal Financial Statements

The Principal Financial Statements (Statements) have been prepared to report the financial position, financial condition, and results of operations of the U.S. Department of State (Department). The Statements have been prepared from the books and records of the Department in accordance with formats prescribed by the Office of Management and Budget (OMB) in OMB Circular A-136, *Financial Reporting Requirements*, revised. The Statements are in addition to financial reports prepared by the Department in accordance with OMB and U.S. Department of the Treasury (Treasury) directives to monitor and control the status and use of budgetary resources, which are prepared from the same books and records. The Statements should be read with the understanding that they are for a component of the U.S. Government, a sovereign entity. The Department has no authority to pay liabilities not covered by budgetary resources. Liquidation of such liabilities requires enactment of an appropriation. Comparative data for 2021 are included.

Unless otherwise designated all use of a year indicates fiscal year, e.g., 2022 equals Fiscal Year 2022.

The **Consolidated Balance Sheet** provides information on assets, liabilities, and net position similar to balance sheets reported in the private sector. Intra-departmental balances have been eliminated from the amounts presented.

The **Consolidated Statement of Net Cost** reports the components of the net costs of the Department's operations for the period by strategic goal (SG). The net cost of operations consists of the gross cost incurred by the Department less any exchange (i.e., earned) revenue from our activities. Intra-departmental balances have been eliminated from the amounts presented.

The **Consolidated Statement of Changes in Net Position** reports the beginning net position, the transactions that affect net position for the period, and the ending net position. The intra-departmental transactions are eliminated from the combined total amounts presented.

The **Combined Statement of Budgetary Resources** provides information on how budgetary resources were made available and their status at the end of the year. Information in this statement is reported on the budgetary basis of accounting. Intra-departmental transactions have not been eliminated from the amounts presented.

Required Supplementary Information contains a Combining Statement of Budgetary Resources, information on deferred maintenance and repairs, and information on land. The Combining Statement of Budgetary Resources provides additional information on amounts presented in the **Combined Statement of Budgetary Resources**.

CONSOLIDATED BALANCE SHEET (dollars in millions)			
As of September 30,	Notes	2022	2021
ASSETS			
Intragovernmental:			
Fund Balance with Treasury	2	\$ 63,835	\$ 60,779
Investments, Net	3	21,180	20,562
Accounts Receivable, Net	4	13	75
Advances and Prepayments	7	1,474	1,782
Total Intragovernmental		86,502	83,198
Other than Intragovernmental:			
Cash and Other Monetary Assets	5	5	265
Accounts Receivable, Net	4	93	112
General Property and Equipment, Net	6	28,452	27,297
Advances and Prepayments	7	931	963
Other Assets			
Inventory and Related Property, Net		16	14
Loans Receivable, Net		2	3
Total Other than Intragovernmental		29,499	28,654
Total Assets		\$ 116,001	\$ 111,852
Stewardship Property and Equipment – Heritage Assets	6		
LIABILITIES			
Intragovernmental:			
Accounts Payable		\$ 175	\$ 207
Advances from Others and Deferred Revenue		346	315
Other	8	68	73
Total Intragovernmental		589	595
Other than Intragovernmental:			
Accounts Payable			
International Organizations Liability	10	501	821
Other Accounts Payable		2,414	2,506
Federal Employee and Veteran Benefits Payable	9	33,815	29,223
Advances from Others and Deferred Revenue		71	96
Other Liabilities			
International Organizations Liability	10	2,236	1,564
Environmental and Disposal Liability	8	52	52
Other	8,11	1,095	891
Total Other than Intragovernmental:		40,184	35,153
Total Liabilities		40,773	35,748
Contingencies and Commitments	12		
NET POSITION			
Unexpended Appropriations – Funds from Dedicated Collections	13	1	2
Unexpended Appropriations – Funds from Other Than Dedicated Collections		46,991	45,967
Total Unexpended Appropriations		46,992	45,969
Cumulative Results of Operations – Funds from Dedicated Collections	13	3,178	1,692
Cumulative Results of Operations – Funds from Other Than Dedicated Collections		25,058	28,443
Total Cumulative Results of Operations		28,236	30,135
Total Net Position		75,228	76,104
Total Liabilities and Net Position		\$ 116,001	\$ 111,852

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF NET COST (Note 14) (dollars in millions)

For the Year Ended September 30,	2022	2021
SG1: Renew U.S. leadership and mobilize coalitions to address the global challenges that have the greatest impact on Americans' security and well-being.		
Gross Costs	\$ 23,101	\$ 24,731
Earned Revenue	(703)	(727)
Net Program Costs	22,398	24,004
SG2: Promote global prosperity and shape an international environment in which the United States can thrive.		
Gross Costs	2,165	1,997
Earned Revenue	(362)	(394)
Net Program Costs	1,803	1,603
SG3: Strengthen democratic institutions, uphold universal values, and promote human dignity.		
Gross Costs	3,444	2,948
Earned Revenue	(363)	(399)
Net Program Costs	3,081	2,549
SG4: Revitalize the diplomatic and development workforce and institutions.		
Gross Costs	10,257	9,509
Earned Revenue	(2,544)	(3,106)
Net Program Costs	7,713	6,403
SG5: Serve U.S. Citizens around the world and facilitate secure international travel.		
Gross Costs	4,731	4,705
Earned Revenue	(4,705)	(2,815)
Net Program Costs	26	1,890
Net Program Costs Before Assumption Changes	35,021	36,449
Actuarial Loss on Pension Assumption Changes (Notes 1 and 9)	3,364	1,898
Net Program Costs Including Assumption Changes	38,385	38,347
Cost Not Assigned to Programs		
Gross Costs	24	25
Earned Revenue	(1)	(2)
Net Costs	23	23
Total Gross Costs	47,086	45,813
Total Earned Revenue	(8,678)	(7,443)
Net Cost of Operations	\$ 38,408	\$ 38,370

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,	2022				2021
	Funds from Dedicated Collections (Consolidated Totals)	Funds from Other than Dedicated Collections (Consolidated Totals)	Intra- Departmental Eliminations	Consolidated Total	Consolidated Total
Unexpended Appropriations					
Beginning Balances	\$ 2	\$ 45,967	\$ —	\$ 45,969	\$ 46,917
Appropriations Received	—	38,649	—	38,649	38,652
Appropriations Transferred In(Out)	—	(72)	—	(72)	(22)
Other Adjustments	—	(1,059)	—	(1,059)	(655)
Appropriations Used	(1)	(36,494)	—	(36,495)	(38,923)
Net Change in Unexpended Appropriations	(1)	1,024	—	1,023	(948)
Total Unexpended Appropriations: Ending	\$ 1	\$ 46,991	\$ —	\$ 46,992	\$ 45,969
Cumulative Results of Operations					
Beginning Balances	\$ 1,692	\$ 28,443	\$ —	\$ 30,135	\$ 29,779
Adjustments	—	(1)	—	(1)	—
Beginning Balances, as Adjusted	1,692	28,442	—	30,134	29,779
Other Adjustments	—	(30)	—	(30)	—
Appropriations Used	1	36,494	—	36,495	38,923
Donations and Forfeitures of Cash and Cash Equivalents	17	—	—	17	14
Transfers In(Out) Without Reimbursement	142	(124)	—	18	(9)
Donations and Forfeitures of Property	—	—	—	—	104
Imputed Financing	61	170	(28)	203	196
Non-Entity Collections	—	(193)	—	(193)	(502)
Net Cost of Operations	1,265	(39,701)	28	(38,408)	(38,370)
Net Change in Cumulative Results of Operations	1,486	(3,384)	—	(1,898)	356
Total Cumulative Results of Operations: Ending	3,178	25,058	—	28,236	30,135
Net Position	\$ 3,179	\$ 72,049	\$ —	\$ 75,228	\$ 76,104

The accompanying notes are an integral part of these statements.

COMBINED STATEMENT OF BUDGETARY RESOURCES (Note 15) (dollars in millions)

For the Year Ended September 30,	2022	2021
Budgetary Resources:		
Unobligated Balance from Prior Year Budget Authority, Net	\$ 31,631	\$ 29,890
Appropriations (Discretionary and Mandatory)	43,686	41,445
Borrowing Authority (Discretionary and Mandatory)	2	2
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	7,810	8,750
Total Budgetary Resources	\$ 83,129	\$ 80,087
Status of Budgetary Resources:		
New Obligations and Upward Adjustments (Total)	\$ 54,227	\$ 50,656
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	26,085	27,891
Exempt from Apportionment, Unexpired Accounts	407	148
Unapportioned, Unexpired Accounts	1,346	367
Unexpired Unobligated Balance, End of Year	27,838	28,406
Expired Unobligated Balance, End of Year	1,064	1,025
Unobligated Balance, End of Year (Total)	28,902	29,431
Total Budgetary Resources	\$ 83,129	\$ 80,087
Outlays, Net:		
Outlays, Net (Total) (Discretionary and Mandatory)	\$ 40,099	\$ 40,239
Distributed Offsetting Receipts (-)	(5,204)	(2,672)
Agency Outlays, Net (Discretionary and Mandatory)	\$ 34,895	\$ 37,567

The accompanying notes are an integral part of these statements.

Notes to the Principal Financial Statements

Organization

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



defined in SFFAS No. 47. In many cases, the United States participates in the policy discussion of the organization through the United States' involvement on boards and counsels. Note 10, *International Organizations Liability*, discusses the Department's funding, payments, and open liabilities to these organizations.

1 Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Consolidation

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

Included in the Department's reporting entity as a consolidation entity is the U.S. Section of the International Boundary and Water Commission (IBWC). Treaties in 1848, 1853, and 1970 established the boundary between the United States and Mexico that extends 1,954 miles, beginning at the Gulf of Mexico, following the Rio Grande a distance of 1,255 miles and eventually ending at the Pacific Ocean below California. Established in 1889, the IBWC is responsible for applying the boundary and water treaties between the United States and Mexico and settling differences that may arise in their application. Additionally, the following organizations are consolidated in these financial statements: International Joint Commission, International Boundary Commission, and the International Center. The Department has determined there are no disclosure entities to report.

Statement of Federal Financial Accounting Standards (SFFAS) No. 47, *Reporting Entity*, requires disclosure of significant Related Party relationships. Large international organizations, while not controlled by the United States, are often significantly influenced by the Government as

The East-West Center (EWC) is a Congressionally-authorized non-profit organization dedicated to educational and policy engagement on substantive issues between the United States and the Asia Pacific region. Established by Congress in 1960, for more than 50 years the EWC has been promoting better relations and understanding among the people and nations of the United States, Asia, and the Pacific through cooperation study, research, and dialogue. Approximately half of EWC's annual revenues comes from the Department which received an annual appropriation of \$19.7 million for EWC in 2022. The EWC Board of Governors consists of 18 members, including five appointed by the Secretary of State and the Assistant Secretary of State for Educational and Cultural Affairs.

The Department receives an annual appropriation and provides monies to several International Fisheries Commissions to fund the U.S. share of operating expenses for 10 international fisheries commissions including the Great Lakes Fishery Commission, International Pacific Halibut Commission, and Pacific Salmon Commission. Each commission facilitates international cooperation by conducting and coordinating scientific studies of fish stocks and other marine resources and their habitats. Many also oversee the allocation of fishing rights to their members. Amounts provided maintain voting privileges and influence in the commissions and organizations to advance the economic and conservation interests of the United States. The Department provided approximately \$62 million for the year ended September 30, 2022.

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

B. Basis of Presentation and Accounting

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

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

Throughout the financial statements and notes, certain assets, liabilities, earned revenue, and costs have been classified as intragovernmental, which is defined as transactions made between two reporting entities within the Federal Government.

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

Accounting standards require 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 agency and the Government-wide financial reports.

The reporting entity's budgetary resources reflect past congressional action and enable the entity to incur



Secretary Blinken participates in the launch of the U.S.-Afghan Consultative Mechanism with Special Envoy for Afghan Women, Girls, and Human Rights Rina Amiri at the U.S. Institute of Peace in Washington, D.C., July 28, 2022. *Department of State*

budgetary obligations, but they do not reflect assets to the Government as a whole. Budgetary obligations are legal obligations for goods, services, or amounts to be paid based on statutory provisions. After budgetary obligations are incurred, Treasury will make disbursements to liquidate the budgetary obligations and finance those disbursements in the same way it finances all disbursements, using some combination of receipts, other inflows, and borrowing from the public if there is a budget deficit.

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

Congress annually enacts one-year and multi-year appropriations that provide the Department with the authority to obligate funds within the respective fiscal years for necessary expenses to carry out mandated program activities. In addition, Congress enacts appropriations that are available until expended. All appropriations are subject to congressional restrictions and most appropriations are subject to OMB apportionment.

For financial statement purposes, appropriations are recorded as a financing source (i.e., Appropriations Used) and reported on the Statement of Changes in Net Position at the time they are recognized as expenditures. Appropriations expended for capitalized property and equipment are recognized when the asset is purchased.

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

The Department is authorized to collect and retain certain user fees for machine-readable visas, expedited passport processing, and fingerprint checks on immigrant visa applicants. The Department is 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.

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

subsequently sold, proceeds from the sale of these items are recognized in the year of sale. More information on earned revenues can be found in Note 14, *Statement of Net Cost*.

D. Allocation Transfers

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

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

Fund Balance with Treasury is an asset of the Department and a liability of the General Fund. The amount is the unexpended balances of appropriation accounts, trust accounts, and revolving funds. It is available to finance authorized commitments relative to goods, services, and benefits, but it does not represent net assets to the Government as a whole. The Department does not maintain cash in commercial bank accounts for the funds reported in the Consolidated Balance Sheet, except for the Emergencies in the Diplomatic and Consular Services. Treasury processes domestic cash receipts and disbursements on behalf of the Department and the Department's accounting records are reconciled with those of Treasury on a monthly basis.

The Department operates two Financial Service Centers located in Bangkok, Thailand and Charleston, South Carolina. These provide financial support for the Department and other Federal agencies' operations overseas. The U.S. disbursing officer at each Center has the delegated authority to disburse funds on behalf of the Treasury. See Note 2, *Fund Balance with Treasury*, and Note 5, *Cash and Other Monetary Assets*.

F. Accounts Receivable, Net

Accounts Receivable consist of Intragovernmental Accounts Receivable and non-Federal Accounts Receivable. Intragovernmental Accounts Receivable are amounts owed the Department principally from other Federal agencies for ICASS services, reimbursable agreements, and Working Capital Fund services. Accounts Receivable from non-Federal entities primarily consist of amounts owed the Department for civil monetary fines and penalties, Value Added Tax (VAT) reimbursements not yet received, and IBWC receivables for Mexico's share of IBWC activities. Civil monetary fines and penalties are assessed on individuals for such infractions as violating the terms and munitions licenses, exporting unauthorized defense articles and services, and violation of manufacturing licenses agreements. VAT receivables are for taxes paid on purchases overseas in which the Department has reimbursable agreements with the country for taxes it pays. The U.S. and Mexican Governments generally share the total costs of IBWC projects in proportion to their respective benefits in cases of projects for mutual control and utilization of the waters of a boundary river, unless the Governments have predetermined by treaty the division of costs according to the nature of a project.

Accounts Receivable from non-Federal entities are subject to the full debt collection cycle and mechanisms, e.g., salary offset, referral to collection agents, and Treasury offset. In addition, Accounts Receivable from non-Federal entities are assessed interest, penalties, and administrative fees if they become delinquent. Interest and penalties are assessed at the Current Value of Funds Rate established by Treasury. Accounts Receivable is reduced to net realizable value by an Allowance for Uncollectible Accounts. This allowance is recorded using aging methodologies based on an analysis of past collections and write-offs. See Note 4, *Accounts Receivable, Net*, for more information on Accounts Receivable, Net.

G. Loans Receivable, Net

Loans Receivable from non-Federal entities primarily consist of amounts owed the Department for repatriation loans due. The Department provides repatriation loans for destitute American citizens overseas whereby the



Secretary Blinken meets with U.S. Ambassador to Ukraine Bridget Brink in Washington, D.C., May 20, 2022. *Department of State*

Department becomes the lender of last resort. These loans provide assistance to pay for return transportation, food and lodging, and medical 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 if the loan becomes delinquent. Loans Receivable from non-Federal entities are subject to the full debt collection cycle and mechanisms, e.g., salary offset, referral to collection agents, and Treasury offset.

H. Interest Receivable

Interest earned on investments, but not received as of September 30, is recognized as interest receivable.

I. Advances and Prepayments

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

J. Investments, Net

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

Investments by the Department's Foreign Service National Defined Contributions Fund, Gift, Israeli Arab Scholarship, Eisenhower Exchange Fellowship, Middle Eastern-Western Dialogue, and International Center accounts are in U.S. Treasury securities. Interest on these investments is paid semi-annually at various rates. These investments are reported at acquisition cost, which equals the face value net of unamortized discounts or premiums. Discounts and premiums are amortized over the life of the security using the straight-line method for Gift Funds investments, and effective interest method for the other accounts. Additional information can be found in Note 3, *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, including unimproved land; residential and functional-use buildings such as embassy/consulate office buildings; office annexes and support facilities; and construction-in-progress. Title to these properties is held under various conditions including fee simple, restricted use, crown lease, and deed of use agreement. Some of these properties are considered historical treasures and are considered multi-use heritage assets. These items are reported on the Consolidated Balance Sheet, in Note 6, *General Property and Equipment, Net*, and in the Heritage Assets Section.

The Department also owns several domestic real properties, including the International Center (Washington, D.C.); the Charleston Financial Services Center (S.C.); the Beltsville Information Management Center (Md.); the Florida Regional Center (Ft. Lauderdale); and consular centers in Charleston, S.C. and Williamsburg, Ky. The Foreign Missions Act authorizes the Department to facilitate the secure and efficient operation in the United States of foreign missions. The Act established the Office of

Foreign Missions to manage acquisitions, including leases, additions, and sales of real property by foreign missions. In certain cases, based on reciprocity, the Department owns real property in the United States that is used by foreign missions for diplomatic purposes. The IBWC owns buildings and structures related to its boundary preservation, flood control, and sanitation programs.

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

Asset Category	Estimated Useful Life
Land Improvements	30 years
Buildings and Structures	10 to 50 years
Assets Under Capital Lease	Lease term or 30 years
Leasehold Improvements	Lesser of lease term or 10 years

Land is not a depreciable asset. The Department holds land predominantly for operational purposes and land costs are identified separately from the costs associated with land improvements, buildings and structures, and leasehold improvements built thereon.

Personal Property

Personal property consists of several asset categories including aircraft, vehicles, security equipment, communication equipment, automated data processing (ADP) equipment, reproduction equipment, and software. The Department holds title to these assets, some of which are operated in unusual conditions, as described below.

The Department's Bureau of International Narcotics and Law Enforcement Affairs (INL) uses aircraft to help eradicate and stop the flow of illegal drugs. To accomplish its mission, INL maintains an aircraft fleet that is one of the largest Federal, nonmilitary fleets. Most of the aircraft are under direct INL air wing management. However, a number of aircraft are managed by host-countries. The Department holds title to most of the aircraft under these programs and requires

congressional notification to transfer title for any aircraft to foreign governments. INL contracts with firms to provide maintenance support depending on whether the aircraft are INL air wing managed or host-country managed. INL air wing managed aircraft are maintained to Federal Aviation Administration standards that involve routine inspection, as well as scheduled maintenance and replacements of certain parts after given hours of use. Host-country managed aircraft are maintained to host-country requirements.

The Department also maintains a large vehicle fleet that operates overseas. Many vehicles require armoring for security reasons. For some locations, large utility vehicles are used instead of conventional sedans. In addition, the Department contracts with firms to provide support in strife-torn areas, such as Iraq and Afghanistan. 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. In 2021, personal property assets located in Afghanistan were either temporarily transferred to other locations or disposed.

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. Additionally, all vehicles are capitalized, as well as internal use software with cost of \$3 million or more. In 2022, the Department increased the capitalization threshold on internal use software from \$500,000 to \$3 million. This change did not have a material impact on software-in-development. Except for contractor-held vehicles in Iraq and Afghanistan, depreciation is calculated on a straight-line basis over the asset's estimated life and begins when the property is placed into service. Contractor-held vehicles in Iraq and Afghanistan, due to the harsh operating conditions, are depreciated on a double-declining balance basis. The estimated useful lives for personal property are as follows:

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 and Afghanistan	2 1/2 years
Security Equipment	3 to 15 years
Communication Equipment	3 to 20 years
ADP Equipment	3 to 6 years
Reproduction Equipment	3 to 15 years
Internal Use Software	Estimated useful life or 5 years

See Note 6, *General Property and Equipment, Net*, for additional information.

Capital Leases

Leases are accounted for as capital leases if the value is \$1 million or more and they meet one of the following criteria: (1) the lease transfers ownership of the property by the end of the lease term; (2) the lease contains an option to purchase the property at a bargain price; (3) the lease term is equal to or greater than 75 percent of the estimated useful life of the property; or (4) at the inception of the lease, the present value of the minimum lease payment equals or exceeds 90 percent of the fair value of the leased property. The initial recording of a lease's value (with a corresponding liability) is the lesser of the net present value of the lease payments or the fair value of the leased property. Capital leases that meet criteria (1) or (2) are depreciated over the useful life of the asset (30 years). Capital leases that meet criteria (3) or (4) are depreciated over the term of the lease. Capital lease liabilities are amortized over the term of the lease; if the lease has an indefinite term, the term is capped at 50 years. Additional information on capital leases is disclosed in Note 11, *Leases*.

Stewardship Property and Equipment – Heritage Assets

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

L. Grants

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

M. Accounts Payable

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

N. Accrued Annual, Sick, and Other Leave

Annual leave is accrued 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 taken.

O. Employee Benefit Plans

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

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

Foreign Service employees hired prior to January 1, 1984, participate in FSRDS, with certain exceptions. FSPS was established pursuant to Section 415 of Public Law No. 99-335, which became effective June 6, 1986. Foreign Service employees hired after December 31, 1983, participate in FSPS with certain exceptions. FSRDS employees contribute 7.25 percent of their salary; the Department contributes 7.25 percent. FSPS employees contribute 1.35 percent, 3.65 percent, or 4.95 percent of their base salary depending on their start date; the Department contributes 20.22 percent or 17.92 percent.

FSRDS and FSPS employees contribute 1.45 percent of their salary to Medicare; the Department matches their contribution. FSPS employees also contribute 6.2 percent to Social Security; the Department makes a matching contribution. Similar to FERS, FSPS also offers the TSP.

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

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

Life Insurance: Unless specifically waived, employees are covered by the Federal Employees' Group Life Insurance Program (FEGGLIP). FEGGLIP 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. Enrollees and their family members are eligible for additional insurance coverage, but the enrollee is responsible for the cost of the additional coverage.

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

P. 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 beneficiaries of employees whose death is attributable to job-related injury or occupational disease. The DOL administers the FECA program. DOL initially pays valid claims and bills the

employing Federal agency. DOL calculates the actuarial liability for future workers' compensation benefits and reports to each agency its share of the liability.

Q. Foreign Service Retirement and Disability Fund

The Department manages the Foreign Service Retirement and Disability Fund (FSRDF). To ensure it operates on a sound financial basis, the Department retains an actuarial firm to perform a valuation to project if the Fund's assets together with the expected future contributions are adequate to cover the value of future promised benefits. To perform this valuation the actuary projects the expected value of future benefits and the stream of expected future employer and employee contributions. The valuation serves as a basis for the determination of the needed employer contributions to the retirement fund and is based on a wide variety of economic assumptions, such as merit salary increases and demographic assumptions, such as rates of mortality. Since both the economic and demographic experience change over time, it is essential to conduct periodic reviews of the actual experience and to adjust the assumptions in the valuation, as appropriate. The Department's actuary completes an Actuarial Experience Study approximately every five years to ensure the assumptions reflect the most recent experience and future expectations. The Department's last study was completed in 2018. The economic assumptions changes from the experience study are different from the economic assumptions changes determined under SFFAS No. 33, *Pensions, Other Retirement Benefits, and Other Postemployment Benefits*. See Note 9, *Federal Employee and Veteran Benefits Payable*, for the Department's accounting policy for FSRDF retirement-related benefits and the associated actuarial present value of projected plan benefits.

R. Foreign Service Nationals' After-Employment Benefits

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

Defined Benefit Plans: The Department has implemented various arrangements for defined benefit pension plans in other countries, for the benefit of some FSN employees.



Deputy Secretary of State Wendy Sherman meets with Senegalese Foreign Minister Aïssata Tall Sall, on the margins of the 77th Session of the United Nations General Assembly High Level Week in New York City, New York, September 20, 2022.
Department of State

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

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

S. International Organizations Liability

The United States is a member of the United Nations (UN) and other international organizations and supports UN peacekeeping operations. As such, the United States either contributes to voluntary funds or an assessed share of the budgets and expenses of these organizations and activities. These payments are funded through

congressional appropriations to the Department. The purpose of these appropriations is to ensure continued American leadership within those organizations and activities that serve important U.S. interests. Funding by appropriations for dues assessed for certain international organizations is not received until the fiscal year following assessment. These commitments are regarded as funded only when monies are authorized and appropriated by Congress. For financial reporting purposes, the amounts assessed, pledged, and unpaid are reported as liabilities of the Department. Additional information is disclosed in Note 10, *International Organizations Liability*.

T. Contingent Liabilities

Contingent liabilities are liabilities where the existence or amount of the liability cannot be determined with certainty pending the outcome of future events. The Department recognizes contingent liabilities when the liability is probable and reasonably estimable. See Note 8, *Other Liabilities*, and Note 12, *Contingencies and Commitments*.

U. Funds from Dedicated Collections

Funds from Dedicated Collections are financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time.

These specifically identified revenues and other financing sources are required by statute to be used for designated activities or purposes and must be accounted for separately from the Government's general revenues. Additional information is disclosed in Note 3, *Investments, Net*, and Note 13, *Funds from Dedicated Collections*.

V. Net Position

The Department's net position contains the following components:

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

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

Net position of funds from dedicated collections is separately disclosed. See Note 13, *Funds from Dedicated Collections*.



Secretary Blinken participates in the Food Security Ministerial Meeting, on the margins of the 77th Session of the United Nations General Assembly High Level Week in New York City, New York, September 20, 2022. *Department of State*

W. Foreign Currency

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

X. Fiduciary Activities

Fiduciary activities are the collection or receipt, and the management, protection, accounting, investment, and disposition by the Federal Government of cash or other assets in which non-Federal individuals or entities have an ownership interest that the Federal Government must uphold. The Department's fiduciary activities are not recognized on the principal financial statements, but are reported on schedules as a note to the financial statements. The Department's fiduciary activities include receiving contributions from donors for the purpose of providing compensation for certain claims within the scope of an established agreement, investment of contributions into Treasury securities, and disbursement of contributions received within the scope of the established agreement. See Note 18, *Fiduciary Activities*.

Y. Use of Estimates

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

Z. Comparative Data

Certain 2021 amounts have been reclassified to conform to the 2022 presentation. The Consolidated Balance Sheet and Consolidated Statement of Changes in Net Position presentations have been updated to conform to OMB Circular A-136, *Financial Reporting Requirements*, revised. The Consolidated Statement of Net Cost presentation has been updated to conform to the Department's FY 2022-2026 Joint Strategic Plan.

2 Fund Balance with Treasury

Fund Balance with Treasury at September 30, 2022, and 2021, is summarized below (*dollars in millions*).

Status of Fund Balance with Treasury	2022	2021
Unobligated Balances Available	\$ 26,141	\$ 27,970
Unobligated Balances Unavailable	2,415	1,386
Obligated Balances not yet Disbursed	34,935	31,180
Total Unobligated and Obligated	63,491	60,536
Deposit and Receipt Funds	344	243
Total	\$ 63,835	\$ 60,779

3 Investments, Net

Investments, Net at September 30, 2022 and 2021, are summarized below (*dollars in millions*). All investments are classified as Intragovernmental Securities.

At September 30, 2022:	Cost	Amortized (Premium) Discount	Interest Receivable	Net Investments	Market Value	Maturity Dates	Interest Rates Range
Non-Marketable, Par Value:							
Special Issue Securities	\$ 20,681	\$ —	\$ 123	\$ 20,804	\$ 20,681	2023 – 2028	0.750% – 4.000%
Subtotal	20,681	—	123	20,804	20,681		
Non-Marketable, Market Based:							
Israeli Arab Scholarship Programs	5	—	—	5	5	2023 – 2025	0.375% – 2.625%
Eisenhower Exchange Fellowship Fund	4	—	—	4	4	2022	0.000%
Middle Eastern-Western Dialogue Fund	10	—	—	10	9	2023 – 2027	0.250% – 2.625%
Gift Funds, Treasury Bills	24	—	—	24	23	2022 – 2027	1.625% – 2.750%
International Center	12	—	—	12	12	2023	0.000%
Foreign Service National Defined Contributions Fund	335	(16)	2	321	273	2023 – 2043	0.500% – 2.875%
Subtotal	390	(16)	2	376	326		
Total Intragovernmental Investments	\$ 21,071	\$ (16)	\$ 125	\$ 21,180	\$ 21,007		

At September 30, 2021:	Cost	Amortized (Premium) Discount	Interest Receivable	Net Investments	Market Value	Maturity Dates	Interest Rates Range
Non-Marketable, Par Value:							
Special Issue Securities	\$ 20,347	\$ —	\$ 113	\$ 20,460	\$ 20,347	2022 – 2028	0.750% – 5.000%
Subtotal	20,347	—	113	20,460	20,347		
Non-Marketable, Market Based:							
Israeli Arab Scholarship Programs	5	—	—	5	5	2021 – 2024	2.000% – 2.625%
Eisenhower Exchange Fellowship Fund	4	—	—	4	4	2021	1.625%
Middle Eastern-Western Dialogue Fund	11	—	—	11	11	2021 – 2025	0.250% – 2.875%
Gift Funds, Treasury Bills	26	—	—	26	27	2021 – 2027	1.625% – 2.750%
International Center	12	—	—	12	12	2021	0.000%
Foreign Service National Defined Contributions Fund	44	—	—	44	43	2023 – 2043	0.500% – 2.875%
Subtotal	102	—	—	102	102		
Total Intragovernmental Investments	\$ 20,449	\$ —	\$ 113	\$ 20,562	\$ 20,449		

The Department's activities that have the authority to invest cash resources are comprised of Funds from Dedicated Collections (see Note 13, *Funds from Dedicated Collections*) and pension and retirement plans administered by the Department (see Note 9, *Federal Employee and Veteran Benefits Payable*). In 2022, the Department began investing excess funds for the Foreign Service National Defined Contribution Plan (FSN DCP), directly into U.S. Treasury securities, adding \$262 million to the Department's investment portfolio. Prior to 2022, excess funds for the FSN DCP were held outside of Treasury in short-term money market saving accounts and reported as Cash and Other Monetary Assets (see Note 5, *Cash and Other Monetary Assets*).

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.

4 Accounts Receivable, Net

The Department's Accounts Receivable, Net at September 30, 2022 and 2021, are summarized below (*dollars in millions*). All are entity receivables.

	2022			2021		
	Entity Receivables	Allowance for Uncollectible	Net Receivables	Entity Receivables	Allowance for Uncollectible	Net Receivables
Intragovernmental Accounts Receivable	\$ 25	\$ (12)	\$ 13	\$ 88	\$ (13)	\$ 75
Other than Intragovernmental Accounts Receivable	135	(42)	93	153	(41)	112
Total Receivables	\$ 160	\$ (54)	\$ 106	\$ 241	\$ (54)	\$ 187

The Accounts Receivable, Net of allowance for uncollectible accounts as of September 30, 2022 and 2021, is \$106 million and \$187 million, respectively. The allowance for uncollectible accounts are recorded using aging methodologies based on analysis of historical collections and write-offs. The allowance recognition for intragovernmental receivables does not alter the statutory requirement for the Department to collect payment.

The Intragovernmental Accounts Receivable are amounts owed to the Department from other Federal agencies for

reimbursement for goods and services. The Other than Intragovernmental Accounts Receivable are amounts due from foreign governments and the public for value added taxes, emergency Coronavirus Disease 2019 (COVID-19) evacuations, IBWC receivables for Mexico's share of activities, civil monetary fines and penalties, and repatriation loan interest, penalties, and associated administrative fees (see Accounts Receivable, Net in Note 1.F).

In 2022, the Department estimated \$5 million in accounts receivable to be collectible for criminal restitution.

5 Cash and Other Monetary Assets

The Cash and Other Monetary Assets at September 30, 2022 and 2021, are summarized below (*dollars in millions*). There are no restrictions on entity cash.

	2022			2021		
	Entity Assets	Non-Entity Assets	Total	Entity Assets	Non-Entity Assets	Total
After-Employment Benefit Assets	\$ —	\$ —	\$ —	\$ 261	\$ —	\$ 261
Emergencies in the Diplomatic and Consular Service	5	—	5	4	—	4
Total	\$ 5	\$ —	\$ 5	\$ 265	\$ —	\$ 265

Foreign Service National After-Employment Benefit Assets

The FSN DCF provides retirement 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 FSN DCF finances the FSN DCF. Prior to 2021, the DCF was administered by a third party and excess funds were held outside of Treasury in short-term money market savings accounts. In 2022, the Department began administering the DCF and invests excess funds in Treasury securities through Fed Invest (see Note 3, *Investments, Net*).



Secretary Blinken visits the Office of Accessibility and Accommodation's Access Center as part of the commemoration of the 32nd anniversary of the signing of the Americans with Disabilities Act in Washington, D.C., July 25, 2022. *Department of State*

6 General Property and Equipment, Net

General Property and Equipment, Net balances at September 30, 2022 and 2021, are shown in the following table (*dollars in millions*).

Major Classes	2022			2021		
	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value
Real Property:						
Overseas –						
Land and Land Improvements	\$ 3,130	\$ (120)	\$ 3,010	\$ 3,078	\$ (113)	\$ 2,965
Buildings and Structures	27,459	(12,376)	15,083	26,016	(11,538)	14,478
Construction-in-Progress	6,830	—	6,830	6,506	—	6,506
Assets Under Capital Lease	134	(46)	88	147	(57)	90
Leasehold Improvements	831	(468)	363	669	(427)	242
Domestic –						
Structures, Facilities and Leaseholds	1,590	(576)	1,014	1,583	(537)	1,046
Construction-in-Progress	158	—	158	138	—	138
Assets Under Capital Lease	330	(83)	247	330	(67)	263
Land and Land Improvements	432	(40)	392	425	(28)	397
Total – Real Property	40,894	(13,709)	27,185	38,892	(12,767)	26,125
Personal Property:						
Aircraft	378	(308)	70	410	(342)	68
Vehicles	861	(620)	241	860	(621)	239
Communication Equipment	31	(24)	7	33	(23)	10
ADP Equipment	418	(300)	118	396	(294)	102
Reproduction Equipment	7	(6)	1	7	(6)	1
Security Equipment	250	(164)	86	237	(155)	82
Internal Use Software	584	(449)	135	549	(387)	162
Software-in-Development	478	—	478	364	—	364
Other Equipment	317	(186)	131	336	(192)	144
Total – Personal Property	3,324	(2,057)	1,267	3,192	(2,020)	1,172
Total General Property and Equipment, Net	\$ 44,218	\$ (15,766)	\$ 28,452	\$ 42,084	\$ (14,787)	\$ 27,297

General Property and Equipment, Net activities during 2022 and 2021 are shown in the following table (*dollars in millions*).

General Property & Equipment, Net	2022	2021
Beginning Balance	\$ 27,297	\$ 26,305
Capitalized Acquisitions	2,486	2,422
Dispositions	(56)	(200)
Transfers In/Out Without Reimbursement	(52)	(49)
Revaluations	6	20
Depreciation Expense	(1,229)	(1,305)
Donations	—	104
Ending Balance	\$ 28,452	\$ 27,297

The U.S. Embassy in Kabul and adjacent compounds were evacuated, and operations suspended on August 31, 2021. As a result, personal property assets located in Kabul were either temporarily transferred to other locations or disposed and reported as dispositions. The Department's real property

holdings, including the U.S. Embassy in Kabul, were reviewed to determine the values for reporting these assets. The Department has not disposed or transferred any of its real property holdings in Kabul; however, ongoing projects for new construction-in-progress were terminated. As a result of increased risks to the security and environment for these properties, the Department reduced the useful life of its buildings and structures in Kabul from 30 years to 20 years and reduced the useful life of building improvements to zero. Further, the Department was granted additional property in Kabul shortly before operations were suspended. Due to the proximity of the property grant to the suspension of operations and the current uncertainty in the real estate market in Kabul, the Department has used alternative valuations to estimate and report the fair value of this property. The overall financial impact to the Department's General Property and Equipment, Net, as a result of the suspension of the U.S. Embassy in Kabul and South Compound grant, was a decrease in the net book value of \$93 million in 2021.

Stewardship Property and Equipment – Heritage Assets

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

There are nine separate collections of art and furnishings: the Diplomatic Reception Rooms Collection, the Art Bank Program, the Art in Embassies Program, the Cultural

Heritage Collection, the Library Rare and Special Book Collection, the Secretary of State's Register of Culturally Significant Property, the National Museum of American Diplomacy, the Blair House, and the International Boundary and Water Commission. The collections, activity of which is shown in the following table 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 table contains unaudited data as discussed in the Independent Auditor's Report.

HERITAGE ASSETS For the Years Ended September 30, 2021 and 2022					
	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	Collectibles – American works of art	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 sold.	The program provides assessment, preservation, and restoration as needed.	Acquired through donation.
Condition	Good to excellent	Poor to excellent	Good to excellent	Good to excellent	Poor to good
Number of Assets – 9/30/2020	1,825	2,660	1,269	19,025	1,371
Acquisitions	8	25	12	176	9
Adjustments	—	—	—	865	—
Disposals	—	—	—	334	2
Number of Assets – 9/30/2021	1,833	2,685	1,281	19,732	1,378
Acquisitions	13	40	—	40	6
Adjustments	9	—	2	257	—
Disposals	1	—	—	3,289	5
Number of Assets – 9/30/2022	1,854	2,725	1,283	16,740	1,379



Teachers participating in the Summer 2022 Teacher Workshop tour the National Museum of American Diplomacy's exhibit, "Diplomacy is Our Mission", July 12, 2022. *Department of State*

HERITAGE ASSETS (continued)
For the Years Ended September 30, 2021 and 2022

	Secretary of State's Register of Culturally Significant Property	National Museum of American Diplomacy	Blair House	International Boundary and Water Commission
Description	Noncollection – Buildings of historic, cultural, or architectural significance	Collectibles – Historic artifacts, art and other cultural objects	Collections of fine and decorative arts, furnishings, artifacts, other cultural objects, rare books and archival materials in national historic landmark buildings	Monuments that mark the international boundary between the United States and Mexico, Falcon International Dam and Power Plant
Acquisition and Withdrawal	Acquired through purchase. Excess items are sold.	Acquired through donation or transfer. Excess items are transferred.	Acquired through purchase, donation or transfer. Excess items are transferred or disposed of via public sale.	The monuments were constructed to mark the international boundary. The dam and power plant were constructed by the United States and Mexico pursuant to Water Treaty of 1944.
Condition	Poor to excellent	Good to excellent	Good to excellent	Poor to good
Number of Assets – 9/30/2020	36	6,216	2,599	140
Acquisitions	—	687	—	—
Adjustments	2	109	—	—
Disposals	—	—	—	—
Number of Assets – 9/30/2021	38	7,012	2,599	140
Acquisitions	5	276	1	—
Adjustments	—	52	2	—
Disposals	—	1	8	—
Number of Assets – 9/30/2022	43	7,339	2,594	140

7 Advances and Prepayments

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 Advances and Prepayments in Note 1.I) The majority of Intragovernmental Advances and Prepayments are to USAID in support of the Global Health and Child Survival program and the Defense Security Cooperation Agency in support of the Peacekeeping Operations program. The Advances and Prepayments with Other than Intragovernmental are predominantly to support the Bureau of Overseas Buildings Operations (OBO) with real property rent and acquisitions. Other Advances and Prepayments with Other than Intragovernmental include payments to grantees in support of the Population, Refugee and Migration Assistance program and the Global Health and Child Survival program.

The Department's Advances and Prepayments as of September 30, 2022 and 2021, are summarized below (*dollars in millions*).

Advances and Prepayments	2022	2021
Intragovernmental		
Advances and Prepayments	\$ 1,474	\$ 1,782
Total Intragovernmental	1,474	1,782
Other than Intragovernmental		
Salary Advances	6	4
Travel Advances	16	13
Other Advances and Prepayments	909	946
Total Other than Intragovernmental	931	963
Total Advances and Prepayments	\$ 2,405	\$ 2,745

8 Other Liabilities

The Department's Other Liabilities at September 30, 2022 and 2021, are summarized below (*dollars in millions*).

Other Liabilities	2022	2021
Intragovernmental		
Custodial and Other Non-Entity Assets Liability	\$ 15	\$ 24
Debt	3	4
Unfunded FECA Liability	20	19
Other Liabilities	30	26
Total Intragovernmental	68	73
Other than Intragovernmental		
Capital Lease Liability	42	46
Accrued Funded Payroll and Leave	236	217
Withholdings Payable	20	19
Contingent Liability	66	72
Other Liabilities Without Related Budgetary Obligations	498	324
Other Liabilities With Related Budgetary Obligations	233	213
Total Other than Intragovernmental	1,095	891
Total Other Liabilities	\$ 1,163	\$ 964

Environmental Liability Associated with Asbestos Cleanup and Other

The Department has estimated both friable, \$5 million, and nonfriable, \$46 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, 2022, 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 \$1 million in environmental liability is non-asbestos related cleanup costs for lead based paint (see Note 12, *Contingencies and Commitments*).



Deputy Secretary of State for Management and Resources Brian McKeon poses for a photo with new student interns, September 12, 2022. *Department of State*

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. In 2022, the Department updated the presentation of its

unfunded actuarial liabilities to reflect changes related to liabilities covered and not covered by budgetary resources.

In 2022, the Department began investing excess funds for the FSN DCP, directly into U.S. Treasury securities, adding \$262 million to the Department's investment portfolio and available budgetary resources for the fund. Prior to 2022, the FSN DCP was administered by a third party and excess funds were held outside of Treasury in short-term money market saving accounts. The unfunded actuarial liability for the FSRDF remains the largest liability not covered by budgetary resources for the Department. The liabilities in this category at September 30, 2022 and 2021 are summarized in the Schedule of Liabilities Not Covered by Budgetary Resources (*dollars in millions*).

Liabilities Not Covered by Budgetary Resources	2022	2021
Intragovernmental Liabilities		
Unfunded FECA Liability	\$ 20	\$ 19
Total Intragovernmental Liabilities	20	19
International Organizations Liability	2,236	1,564
Unfunded Actuarial Liabilities:		
Foreign Service Retirement Actuarial Liability	11,228	6,984
Foreign Service Nationals:		
Defined Contributions Fund	4	262
Defined Benefit Plans	49	20
Lump Sum Retirement and Voluntary Severance	322	327
Total Unfunded Actuarial Liabilities	11,603	7,593
Unfunded Leave	522	555
Environmental and Disposal Liabilities	52	52
Capital Lease Liability	42	46
Contingent Liability	66	72
Other Liabilities	154	148
Total Liabilities Not Covered by Budgetary Resources	14,695	10,049
Total Liabilities Covered by Budgetary Resources	25,719	25,433
Total Liabilities Not Requiring Budgetary Resources	359	266
Total Liabilities	\$ 40,773	\$ 35,748

9 Federal Employee and Veteran Benefits Payable

The Department of State provides Federal Employee and Veteran 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 table below summarizes the liability associated with these benefits (*dollars in millions*).

For the Year Ended September 30,	2022	2021
Foreign Service Officers		
Foreign Service Retirement and Disability Fund	\$ 31,968	\$ 27,382
Foreign Service Nationals		
Defined Contribution Fund	323	307
Defined Benefit Plans	49	20
Lump Sum Retirement and Voluntary Severance	683	692
Total Foreign Service Nationals	1,055	1,019
Total Actuarial Liabilities for Pension and Retirement Plans Administered by the Department	\$ 33,023	\$ 28,401
Other Actuarial and Employee Benefits Payable		
Employer Contributions and Payroll Taxes Payable	32	31
Pension Benefits Due and Payable to Beneficiaries	71	67
Unfunded Leave	522	555
Other Unfunded Employment Related Liability	67	67
Actuarial FECA Liability	100	102
Total Other Actuarial and Employee Benefits Payable	792	822
Total Federal Employee and Veteran Benefits Payable	\$ 33,815	\$ 29,223

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 table below presents the normal costs for 2022 and 2021.

Normal Cost:	2022	2021
FSRDS	60.22%	46.15%
FSPS	46.17%	36.78%

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 table presents the calculation of the combined FSRDS and FSPS Pension Actuarial Liability and the assumptions used in computing it for the years ended September 30, 2022 and 2021 (*dollars in millions*).

For the Year Ended September 30,	2022	2021
Pension Actuarial Liability, Beginning of Year	\$ 27,382	\$ 25,014
Pension Expense:		
Normal Cost	752	637
Interest on Pension Liability	781	770
Actuarial (Gains) or Losses:		
From Experience	860	143
From Assumption Changes		
Interest Rate	343	908
Other	3,013	933
Change in Valuation System	(96)	—
Total Pension Expense	5,653	3,391
Less Payments to Beneficiaries	1,067	1,023
Pension Actuarial Liability, End of Year	31,968	27,382
Less: Net Assets Available for Benefits	20,740	20,398
Actuarial Pension Liability – Unfunded	\$ 11,228	\$ 6,984

Actuarial Assumptions:	2022	2021
Rate of Return on Investments	2.80%	2.87%
Rate of Inflation	2.61%	1.82%
Salary Increase	2.86%	2.07%

Net Assets Available for Benefits at September 30, 2022 and 2021, consist of the following (*dollars in millions*).

At September 30,	2022	2021
Fund Balance with Treasury	\$ —	\$ —
Accounts and Interest Receivable	150	136
Investments in U.S. Government Securities	20,681	20,348
Total Assets	20,831	20,484
Less: Liabilities Other Than Actuarial	91	86
Net Assets Available for Benefits	\$ 20,740	\$ 20,398

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 50,000, 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. In 2022, the Department began investing excess funds for the FSN DCP, directly into U.S. Treasury securities, adding \$262 million to the Department's investment portfolio. Prior to 2022, the FSN DCP was administered by a third party and excess funds were held outside of Treasury in short-term money market saving accounts. Payroll contributions were sent to the third party administrator, while separation benefits are processed by the Department upon receipt of funds from the third party. As of September 30, 2022, approximately 12,000 FSNs in 31 countries participate in the FSN DCP.

The Department records 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 2022 and 2021 were \$31.0 million and \$32.0 million, respectively. Total liability reported for the FSN DCP is \$267 million and \$260 million as of September 30, 2022 and 2021, respectively.

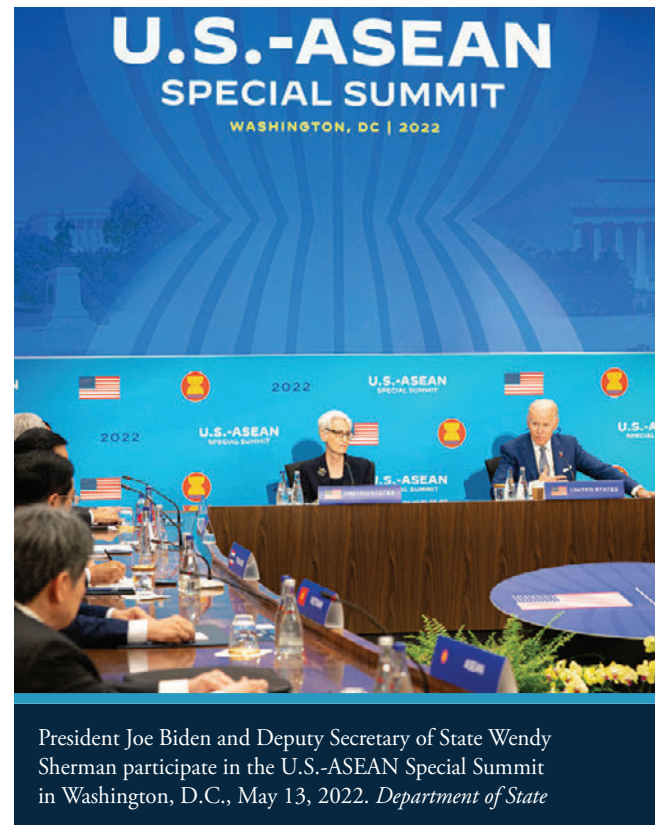
The FSN VCP reported employee and employer contributions of \$15.5 million and \$13.3 million as of September 30, 2022 and 2021, respectively. The total liability reported for the FSN VCP is \$56 million and \$47 million as of September 30, 2022 and 2021, respectively.

Local Defined Contribution Plans

In 50 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 2022 and 2021 were \$33 million and \$32 million, respectively.

Defined Benefit Plans

In 12 countries, involving over 3,500 FSNs, the Department has implemented various arrangements for defined benefit pension plans for the benefit of FSNs. Some of these plans supplement the host country's equivalent to U.S. social security, others do not. While none of these supplemental plans are mandated by the host country, some are substitutes for optional tiers of a host country's social security system. Such arrangements include (but are not limited to) conventional defined benefit plans with assets held in the name of trustees of the plan who engage plan administrators, investment advisors and



President Joe Biden and Deputy Secretary of State Wendy Sherman participate in the U.S.-ASEAN Special Summit in Washington, D.C., May 13, 2022. *Department of State*

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.R, 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 the net defined benefit liability of \$49 million and \$20 million as of September 30, 2022 and 2021, respectively. There was an increase of \$29 million in 2022 and an increase of \$1 million in 2021.

The material FSN defined benefit plans include plans in Germany and the United Kingdom (UK) which represent 78 percent of total assets, 75 percent of total projected benefit obligations, and 50 percent of the net defined benefit liability as of September 30, 2022. The Germany plan's most recent evaluation report, dated August 12, 2022, is as of July 1, 2022. The UK plan's

most recent evaluation dated March 23, 2022, is as of April 5, 2021.

For the Germany plan, the change in the net defined benefit liability was a decrease of \$2 million in 2022 and an increase of \$3 million in 2021, while for the UK plan the change was an increase of \$27 million in 2022 and a decrease of \$19 million in 2021.

For Germany, the decrease in the net defined benefit liability in 2022 was primarily due to actuarial gains due to experience. The increase in 2021 was primarily due to a combination of actuarial losses due to experience and a change in the discount rate.

For the UK plan in 2022, the increase in the net defined benefit liability was primarily due to investment losses on plan assets. The decrease in 2021 was primarily due to investment gains on plan assets.

The tables below show the changes in the projected benefit obligation and plan assets during 2022 and 2021 for the Germany and UK plans (*dollars in millions*).

Change in Benefit Obligations:	2022	2021
Benefit Obligations Beginning of Year	\$ 488	\$ 462
Service Cost	8	10
Interest Cost	6	13
Other	(91)	3
Benefit Obligations End of Year	\$ 411	\$ 488

Change in Plan Assets:	2022	2021
Fair Value of Plan Assets Beginning of Year	\$ 487	\$ 445
Return on Plan Assets	(32)	60
Contributions Less Benefits Paid	(3)	(3)
Other	(66)	(15)
Fair Value of Plan Assets End of Year	386	487
Net Defined Benefit Liability	\$ 25	\$ 1

The table below shows the allocation of the plan assets by category during 2022 and 2021 for the German and UK plans.

	2022	2021
Insurance Policies	33%	30%
Equity Securities	42%	42%
Money Market and Cash	2%	0%
Debt Securities	23%	28%
Total	100%	100%

The principal actuarial assumptions used for 2022 and 2021 for the Germany and UK plans are presented below:

Actuarial Assumptions:	2022	2021
Discount Rate	2.49% – 2.60%	2.10% – 3.80%
Salary Increase Rate	2.25% – 4.49%	2.25% – 3.80%
Pension Increase Rate	1.75% – 3.49%	1.75% – 2.80%

Retirement and Voluntary Severance Lump Sum Payments

In 76 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, 2022, approximately 24,000 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 withdraws, assumed retirement age, death and disability, 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, 2022, 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, 2022 and 2021, are:

	2022	2021
Discount Rate	2.42%	2.52%
Rate of inflation	Varies	Varies
Salary Increase	3.00% – 12.00%	3.00% – 12.00%

In 2021, there was a change in the methodology for developing actuarial assumptions. As a result, the salary increase rates no longer include an explicit rate of inflation. The current salary increase rates are assumed to implicitly reflect both merit and local inflation.

Based upon the projection, the total liability reported for the Retirement and Voluntary Severance Lump Sum Payment is \$683 million and \$692 million as of September 30, 2022 and 2021, respectively, as shown below (*dollars in millions*):

At September 30,	2022	2021
Retirement	\$ 226	\$ 227
Voluntary Severance	457	465
Total	\$ 683	\$ 692

The September 30, 2022 total PBO of \$683 million represents a \$9 million decrease compared to the September 30, 2021 total PBO of \$692 million. There was an experience gain of \$55 million, primarily due to lower-than-expected pay increases and changes in currency exchange rates. Changes to the discount rate increased total PBO by about \$7.4 million.

The table below shows the changes in the projected benefit obligation during 2022 and 2021 (*dollars in millions*):

Changes in Benefit Obligations:	2022	2021
Benefit Obligations Beginning of Year	\$ 692	\$ 593
Normal Cost	61	52
Benefit Payments	(50)	(33)
Interest Cost	18	17
Actuarial (Gain)Loss on Assumptions	8	57
Actuarial (Gain)Loss Due to Experience	(55)	10
Other	9	(4)
Benefit Obligations End of Year	\$ 683	\$ 692

10 International Organizations Liability

The Department's Bureau of International Organization Affairs (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 Sheet of the Department.

Amounts presented in the table 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 at September 30, 2022 and 2021.

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

As of September 30,	2022	2021
Regular Membership Assessments Payable to UN	\$ 915	\$ 1,002
Dues Payable to UN Peacekeeping Missions	1,390	1,219
International Organizations Liability	1,163	810
Total Owed to International Organizations	3,468	3,031
Less Amounts Mandated to be Withheld and not likely to be Paid	731	646
International Organizations Liability	\$ 2,737	\$ 2,385
Funded Amounts	\$ 501	\$ 821
Unfunded Amounts	2,236	1,564
Total International Organizations Liability	\$ 2,737	\$ 2,385



Filled with 18th and 19th Century furniture, Chinese porcelain, and a fine 1846 portrait of Secretary of State Daniel Webster, the Blair House Rear Drawing Room welcomes guests for receptions throughout the year. *Department of State*

11 Leases

The Department is committed to over 10,000 leases, which cover office and functional properties, and residential units for diplomatic missions. The majority of these leases are short-term operating leases. In most cases, management expects that the leases will be renewed or replaced by other

leases. Personnel from other U.S. Government agencies occupy some of the leased facilities (both residential and non-residential). These agencies reimburse the Department for the use of the properties. Reimbursements are received for approximately \$108 million of the lease costs.

Capital Leases

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

The following is a summary of Net Assets under Capital Leases and Future Minimum Lease Payments as of September 30, 2022 and 2021 (*dollars in millions*). Lease liabilities are not covered by budgetary resources.

As of September 30,	2022	2021
Net Assets under Capital Leases:		
Intragovernmental		
Buildings	\$ 330	\$ 330
Accumulated Depreciation	(83)	(67)
Total Intragovernmental	247	263
Other than Intragovernmental		
Buildings	134	147
Accumulated Depreciation	(46)	(57)
Total Other than Intragovernmental	88	90
Net Assets under Capital Leases	\$ 335	\$ 353

Future Minimum Lease Payments:

2022		2021	
Fiscal Year	Other than Intragovernmental Lease Payments	Fiscal Year	Other than Intragovernmental Lease Payments
2023	\$ 7	2022	\$ 11
2024	6	2023	7
2025	6	2024	5
2026	6	2025	4
2027	5	2026	4
2028 and Thereafter	51	2027 and Thereafter	56
Total Minimum Lease Payments	81	Total Minimum Lease Payments	87
Less: Amount Representing Interest	(39)	Less: Amount Representing Interest	(41)
Liabilities under Capital Leases	\$ 42	Liabilities under Capital Leases	\$ 46

Operating Leases

The Department leases real property under operating leases. These leases are Other than Intragovernmental and expire in various years. Future minimum lease payments under operating leases have remaining terms in excess of one year as of September 30, 2022 and 2021 for each of the next 5 years and in aggregate are as follows (*dollars in millions*):

Year Ended September 30, 2022	Lease Payments	Year Ended September 30, 2021	Lease Payments
2023	\$ 399	2022	\$ 427
2024	294	2023	306
2025	190	2024	199
2026	117	2025	123
2027	69	2026	64
2028 and Thereafter	163	2027 and Thereafter	167
Total Future Minimum Lease Payments	\$ 1,232	Total Future Minimum Lease Payments	\$ 1,286

12 Contingencies and Commitments

Contingencies

The Department is a party in various material legal matters (litigation, claims, assessments, including pending or threatened litigation, unasserted claims, and claims that may derive from treaties or international agreements) brought against it. The Department periodically reviews these pending matters. As a result of these reviews, the agency classifies and adjusts the contingent liability when it thinks it is probable that there will be an unfavorable outcome and when a reasonable estimate of the amount can be made.

Additionally, as part of the Department's continuing evaluation of estimates required in the preparation of its financial statements, the agency evaluated the materiality of cases determined to have either a probable or reasonably possible chance of an adverse outcome. As a result of these

reviews, the Department believes that claims considered probable could result in estimable losses of \$66 to \$223 million and reasonably possible claims could result in potential estimable losses of \$20 to \$134 million if the outcomes were unfavorable to the Department. The probable cases involve international claims made against the United States, Equal Employment Opportunity Commission claims, consulate construction, Equal Access to Justice, and Freedom of Information. The reasonably possible cases involve contract disputes, claims related to embassy construction, grievances, Equal Employment Opportunity Commission claims, and international claims made against the United States being litigated by the Department.

Certain legal matters to which the Department is a party are administered and, in some instances, litigated and paid by other U.S. Government agencies. Generally, amounts to be paid under any decision, settlement, or award pertaining to these legal matters are funded from the Judgment Fund.

Payments made by the Judgment Fund for cases covered under the Contract Disputes Act and Notification and Federal Employees Antidiscrimination and Retaliation Act of 2002 on behalf of the Department totaled \$74 million and under \$1 million as of September 30, 2022 and 2021, respectively.

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

In addition, the Department is responsible for environmental cleanup costs associated with asbestos and lead based paint. A liability is recognized for those costs that are both probable and reasonably estimable (see Note 8, *Other Liabilities*, for additional information). The following tables show each type of contingency, the likelihood of future events occurring, and the potential estimable range of losses at September 30, 2022 and 2021 (*dollars in millions*).

	2022		
	Accrued Liabilities	Estimated Range of Loss	
		Lower End	Upper End
Legal Contingencies:			
Probable	\$ 66	\$ 66	\$ 223
Reasonably Possible	\$ —	\$ 20	\$ 134
Environmental Contingencies:			
Probable	\$ 52	\$ 52	\$ 52
Reasonably Possible	\$ —	\$ —	\$ —
	2021		
	Accrued Liabilities	Estimated Range of Loss	
		Lower End	Upper End
Legal Contingencies:			
Probable	\$ 72	\$ 72	\$ 236
Reasonably Possible	\$ —	\$ 13	\$ 121
Environmental Contingencies:			
Probable	\$ 52	\$ 52	\$ 52
Reasonably Possible	\$ —	\$ —	\$ —

Commitments

In addition to the future lease commitments discussed in Note 11, *Leases*, the Department is committed under obligations for goods and services which have been ordered but not yet received at fiscal year end; these are termed undelivered orders (see Note 15, *Combined Statement of Budgetary Resources*).

Rewards Programs: Under 22 U.S.C. 2708, the Department has the authority to operate rewards programs that are critical to combating international terrorism, narcotics trafficking, war crimes, and transnational organized crime.

Rewards for Justice (RFJ), operated out of the Bureau of Diplomatic Security, is a 21st Century national security tool that is leveraged by the White House, the Department of State, and interagency partners throughout the U.S. Government. In 2020, RFJ became an office commensurate with its level of increased responsibilities. RFJ's traditional mission since the 1980's, counterterrorism, was dramatically expanded by Congress in 2017 to include countering malicious cyber activity and Democratic People's Republic of Korea sanctions violators, essentially tripling the size of Rewards for Justice's mandate and scope of the program. See further details at www.rewardsforjustice.net.

The Narcotics Rewards Program (NRP), operated out of the Bureau of International Narcotics and Law Enforcement Affairs, was created through a legislative amendment to 22 U.S.C. 2708 in 1986. Since that time, under its authority to offer rewards for information leading to the arrest or conviction in any country of persons committing major foreign violations of U.S. narcotics laws or the killing or kidnapping of U.S. narcotics law enforcement officers or their family members (in connection with the enforcement of U.S. narcotics laws), more than 75 transnational criminals and major narcotics traffickers have been brought to justice. In addition, countless sources of information have been developed through tip lines established through the reward offers. In 2022, four NRP targets were brought to justice and another NRP target, who was brought to justice in 2021, was confirmed. Included in the targets brought to justice was Rafael Caro Quintero, who held the highest current NRP reward offer (up to \$20 million) and second-highest reward offer in the history of the program. Reward payments for these actions are pending.

The War Crimes Rewards Program is operated out of the Office of Global Criminal Justice. It offers rewards for information that leads to the arrest or conviction in any country, or the transfer or conviction by an international, hybrid, or mixed tribunal of foreign nationals accused of war crimes, genocide, or crimes against humanity as defined under the statute of such a tribunal. The War

Crimes Rewards Program has contributed to more than 20 prosecutions of fugitives accused of these crimes.

The Transnational Organized Crime Rewards Program (TOCRP), operated out of the Bureau of International Narcotics and Law Enforcement Affairs, was created through another legislative amendment in 2013. Based on the successes of the RFJ and the NRP, the TOCRP was provided authority to complement the offering of rewards for information leading to the arrest or conviction like the NRP (beyond narcotics trafficking), but with the broader authorities provided to the RFJ to include offering rewards for information leading to the identification or location of an individual who holds a key leadership position in a transnational organized crime (TOC) group, and the disruption of financial mechanisms of a TOC group. The TOCRP allows the offering of rewards to address

significant transnational criminals involved in an array of transnational crime, including but not limited to human smuggling and human trafficking, cyber crime, arms trafficking, import/export violations, money laundering, and wildlife trafficking. In 2022, four targets were brought to justice through the TOCRP. Rewards payments for these actions are pending.

Pending reward offers under the four programs total \$1.5 billion. Under the programs, we have paid out \$392 million since 2003. Reward payments are funded from Diplomatic and Consular Programs prior year expired, unobligated balances using available transfer authorities as necessary. Management and the Legal Advisor believe there is adequate funding for the amounts that may become due under the Rewards Program.

13 Funds from Dedicated Collections

The Department administers 10 Funds from Dedicated Collections as listed below. 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

All 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 table on the following page.

In 2018 and prior years, these fees and surcharges were credited in the Diplomatic and Consular Programs fund as spending authority from offsetting collections. The Consolidated Appropriations Act of FY 2017 (Public Law No. 115-31) enacted a new stand-alone fund beginning in 2019 to display fee-funded consular programs independent of the larger Diplomatic Programs (formerly Diplomatic and Consular Programs) fund. In 2022, unobligated balances totaling

\$113.5 million related to the fees and surcharges were transferred from the former fund to the CBSP. This change enables the Department to provide greater transparency and accountability in financial reporting

on these fees and surcharges, facilitate budget estimates for these fees and surcharges, and more easily make the information available to users of budget information and other stakeholders.

The table below displays the dedicated collection amounts as of September 30, 2022 and 2021 (*dollars in millions*).

	2022			2021		
	Consular and Border Security Programs	All Other Funds from Dedicated Collections	Total Funds from Dedicated Collections (Consolidated)	Consular and Border Security Programs	All Other Funds from Dedicated Collections	Total Funds from Dedicated Collections (Consolidated)
Balance Sheet as of September 30,						
ASSETS						
Intragovernmental:						
Fund Balance with Treasury	\$ 2,995	\$ 116	\$ 3,111	\$ 1,625	\$ 148	\$ 1,773
Investments, Net	—	43	43	—	46	46
Advances and Prepayments	83	—	83	12	—	12
Total Intragovernmental Assets	3,078	159	3,237	1,637	194	1,831
Other than Intragovernmental:						
Accounts Receivable, Net	1	—	1	1	—	1
General Property and Equipment, Net	63	108	171	38	107	145
Advances and Prepayments	12	(1)	11	11	(1)	10
Total Other than Intragovernmental	76	107	183	50	106	156
Total Assets	\$ 3,154	\$ 266	\$ 3,420	\$ 1,687	\$ 300	\$ 1,987
LIABILITIES						
Intragovernmental:						
Accounts Payable	\$ 10	\$ —	\$ 10	\$ 10	\$ 10	\$ 20
Advances from Others and Deferred Revenue	15	—	15	15	—	15
Other Liabilities	26	—	26	24	—	24
Total Intragovernmental Liabilities	51	—	51	49	10	59
Other than Intragovernmental:						
Accounts Payable	95	1	96	133	2	135
Federal Employee and Veteran Benefits Payable	64	—	64	71	—	71
Other Liabilities	30	—	30	28	—	28
Total Other than Intragovernmental	189	1	190	232	2	234
Total Liabilities	240	1	241	281	12	293
NET POSITION						
Unexpended Appropriations	1	—	1	2	—	2
Cumulative Results of Operations	2,913	265	3,178	1,404	288	1,692
Total Liabilities and Net Position	\$ 3,154	\$ 266	\$ 3,420	\$ 1,687	\$ 300	\$ 1,987
Statement of Net Cost for the Year Ended September 30,						
Gross Program Costs	\$ 2,996	\$ 101	\$ 3,097	\$ 3,043	\$ 157	\$ 3,200
Less: Earned Revenues	4,361	1	4,362	2,108	1	2,109
Net Program Costs	(1,365)	100	(1,265)	935	156	1,091
Net Cost of Operations	\$ (1,365)	\$ 100	\$ (1,265)	\$ 935	\$ 156	\$ 1,091
Statement of Changes in Net Position for the Year Ended September 30,						
Unexpended Appropriations						
Beginning Balances	\$ 2	\$ —	\$ 2	\$ 83	\$ —	\$ 83
Appropriations Received	—	—	—	300	—	300
Appropriations Used	(1)	—	(1)	(381)	—	(381)
Total Unexpended Appropriations	1	—	1	2	—	2

	2022			2021		
	Consular and Border Security Programs	All Other Funds from Dedicated Collections	Total Funds from Dedicated Collections (Consolidated)	Consular and Border Security Programs	All Other Funds from Dedicated Collections	Total Funds from Dedicated Collections (Consolidated)
Cumulative Results of Operations						
Beginning Balances	\$ 1,404	\$ 288	\$ 1,692	\$ 1,727	\$ 390	\$ 2,117
Appropriations Used	1	—	1	381	—	381
Donations and Forfeitures of Cash & Property	—	17	17	—	14	14
Transfers In(Out) Without Reimbursement	82	60	142	177	40	217
Imputed Financing	61	—	61	54	—	54
Net Cost of Operations	1,365	(100)	1,265	(935)	(156)	(1,091)
Net Change in Cumulative Results of Operations	1,509	(23)	1,486	(323)	(102)	(425)
Total Cumulative Results of Operations: Ending	2,913	265	3,178	1,404	288	1,692
Net Position, End of Period	\$ 2,914	\$ 265	\$ 3,179	\$ 1,406	\$ 288	\$ 1,694



Secretary Blinken meets with Thai Deputy Prime Minister and Foreign Minister Don Pramudwinai in Bangkok, Thailand, July 10, 2022.
Department of State

14 Statement of Net Cost

The Consolidated Statement of Net Cost reports the Department's gross cost and net cost by strategic goal. The net cost of operations is the gross (i.e., total) cost incurred by the Department, less any exchange (i.e., earned) revenue.

The Consolidating Schedule of Net Cost categorizes costs and 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 African Affairs) is considered a responsibility segment. For presentation purposes, Bureaus have been summarized and reported at the Under Secretary level (e.g., Under Secretary for Political Affairs).

CONSOLIDATING SCHEDULE OF NET COST

For the Year Ended September 30, 2022

(dollars in millions)

STRATEGIC GOAL	Under Secretary for							
	Arms Control, Int'l Security	Management-Consular Affairs	Civilian Security, Democracy and Human Rights	Economic Growth, Energy and Environment	Political Affairs	Public Diplomacy and Public Affairs	Intra-Departmental Eliminations	Total
SG1: Renew U.S. leadership and mobilize coalitions to address the global challenges that have the greatest impact on Americans' security and well-being.								
Gross Costs	\$ 1,654	\$ 70	\$ 12,848	\$ 21	\$ 9,269	\$ 419	\$ (1,180)	\$ 23,101
Earned Revenue	(645)	(15)	(21)	—	(1,106)	(28)	1,112	(703)
Net Program Costs	1,009	55	12,827	21	8,163	391	(68)	22,398
SG2: Promote global prosperity and shape an international environment in which the United States can thrive.								
Gross Costs	10	23	11	111	2,436	312	(738)	2,165
Earned Revenue	(3)	(7)	47	—	(1,054)	(47)	702	(362)
Net Program Costs	7	16	58	111	1,382	265	(36)	1,803
SG3: Strengthen democratic institutions, uphold universal values, and promote human dignity.								
Gross Costs	7	19	1,744	7	2,104	325	(762)	3,444
Earned Revenue	(4)	(5)	(55)	—	(960)	(64)	725	(363)
Net Program Costs	3	14	1,689	7	1,144	261	(37)	3,081
SG4: Revitalize the diplomatic and development workforce and institutions.								
Gross Costs	493	1,832	214	130	8,237	1,942	(2,591)	10,257
Earned Revenue	(405)	(1,542)	160	—	(3,206)	(59)	2,508	(2,544)
Net Program Costs	88	290	374	130	5,031	1,883	(83)	7,713
SG5: Serve U.S. Citizens around the world and facilitate secure international travel.								
Gross Costs	23	4,648	2	1	171	3	(117)	4,731
Earned Revenue	(10)	(4,768)	1	—	(12)	—	84	(4,705)
Net Program Costs	13	(120)	3	1	159	3	(33)	26
Net Program Costs Before Assumption Changes								
	1,120	255	14,951	270	15,879	2,803	(257)	35,021
Actuarial Loss on Pension Assumption Changes								
	130	478	60	34	2,155	507	—	3,364
Net Program Costs Including Assumption Changes								
	1,250	733	15,011	304	18,034	3,310	(257)	38,385
Cost Not Assigned to Programs								
Gross Costs	—	—	18	—	10	—	(4)	24
Earned Revenue	—	—	—	—	(5)	—	4	(1)
Net Costs	—	—	18	—	5	—	—	23
Total Gross Costs	2,317	7,070	14,897	304	24,382	3,508	(5,392)	47,086
Total Earned Revenue	(1,067)	(6,337)	132	—	(6,343)	(198)	5,135	(8,678)
Net Cost of Operations	\$ 1,250	\$ 733	\$ 15,029	\$ 304	\$ 18,039	\$ 3,310	\$ (257)	\$ 38,408

Certain 2021 amounts in the Consolidated Statement of Net Cost have been reclassified to conform to the 2022 presentation.

The presentation of program results by strategic goals is based on the Department's current Strategic Plan, established pursuant to the Government Performance and Results Act (GPRA) of 1993 and the GPRA Modernization Act of 2010. The Department's strategic goals and strategic priorities are defined in the Management's Discussion and Analysis section of this report.

Since the costs incurred by the Under Secretary for Management and the Secretariat are primarily support costs, these costs were distributed 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 the Achieving Consular Excellence program. As a result, these costs were not allocated and continue to be reported as the Under Secretary for Management.

The Under Secretary for Management/Secretariat costs (except for 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 2022 and 2021 was as follows (*dollars in millions*):

Under Secretary	2022	2021
Political Affairs	\$ 15,808	\$ 17,399
Management (Consular Affairs)	3,875	910
Public Diplomacy and Public Affairs	2,668	481
Arms Control, International Security Affairs	1,424	340
Civilian Security, Democracy and Human Rights	7,238	13,502
Economic Growth, Energy and Environment	207	104
Total	\$ 31,220	\$ 32,736

Inter-Entity Costs and Imputed Financing: Full cost includes the costs of goods or services received from other Federal entities (referred to as inter-entity costs) regardless if the Department reimburses that entity. To measure the full cost of activities, SFFAS No. 4, *Managerial Cost Accounting*, and 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.

As provided by SFFAS No. 4, OMB issued a Memorandum in April 1998, entitled "Technical Guidance on the Implementation of Managerial Cost Accounting Standards for the Government." In that Memorandum, OMB established that reporting entities should recognize inter-entity costs for (1) employees' pension benefits; (2) health insurance, life insurance, and other benefits for retired employees; (3) other post-retirement benefits for retired, terminated and inactive employees, including severance payments, training and counseling, continued health care, and unemployment and workers' compensation under the Federal Employees' Compensation Act; and (4) payments made in litigation proceedings.

The Department recognizes an imputed financing source on the Statement of Changes in Net Position for the value of inter-entity costs paid by other U.S. Government entities. This consists of all inter-entity amounts as reported below, 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 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 above are not included in our financial statements.

The following inter-entity costs and imputed financing sources were recognized in the Statement of Net Cost and Statement of Changes in Net Position, for the years ended September 30, 2022 and 2021 (*dollars in millions*):

Inter-Entity Costs	2022	2021
Other Post-Employment Benefits:		
Civil Service Retirement Program	\$ 12	\$ 12
Federal Employees Health Benefits Program	190	183
Federal Employees Group Life Insurance Program	1	1
Subtotal – Imputed Financing Source	203	196
Future Workers' Compensation Benefits	17	17
Total Inter-Entity Costs	\$ 220	\$ 213

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. 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.

Earned revenues for the years ended September 30, 2022 and 2021, consist of the following (*dollars in millions*):

Earned Revenues	2022			2021		
	Total Prior to Eliminations	Intra- Departmental Eliminations	Total	Total Prior to Eliminations	Intra- Departmental Eliminations	Total
Consular Fees:						
Passport, Visa and Other Consular Fees	\$ 616	\$ —	\$ 616	\$ 497	\$ —	\$ 497
Machine Readable Visa	1,666	—	1,666	833	—	833
Expedited Passport	425	—	425	323	—	323
Passport, Visa and Other Surcharges	1,872	—	1,872	1,227	—	1,227
Fingerprint Processing, Diversity Lottery, and Affidavit of Support	57	—	57	48	—	48
Subtotal – Consular Fees	4,636	—	4,636	2,928	—	2,928
FSRDF	1,411	838	573	1,382	810	572
ICASS	3,479	2,498	981	3,772	2,693	1,079
Other Reimbursable Agreements	2,782	541	2,241	2,726	486	2,240
Working Capital Fund	1,392	1,189	203	1,446	1,255	191
Other	113	69	44	496	63	433
Total	\$ 13,813	\$ 5,135	\$ 8,678	\$ 12,750	\$ 5,307	\$ 7,443

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 2022 and 2021 were \$443 million and \$428 million, respectively.

The FSRDF also receives a U.S. Government contribution to finance (1) FSRDS benefits not funded by employee/ employer contributions; (2) interest on FSRDS unfunded liability; (3) FSRDS disbursements attributable to military service; and (4) FSPS supplemental liability payment. The U.S. Government contributions for 2022 and 2021 were \$500 million and \$481 million, respectively. FSRDF cash resources are invested in special non-marketable securities issued by the Treasury. Total interest earned on these investments for 2022 and 2021 were \$467 million and \$473 million, respectively.

Consular Fees are established primarily on a cost-recovery basis and are determined by periodic cost studies. Certain fees, such as the machine readable Border Crossing Cards, are determined statutorily. Reimbursable Agreements with Federal agencies are established and billed on a cost-recovery basis. ICASS billings are computed on a cost-recovery basis; billings are calculated to cover all operating, overhead, and replacement costs of capital assets, based on budget submissions, budget updates, and other factors. In addition to services covered under ICASS, the Department provides administrative support to other agencies overseas

for which the Department does not charge. Areas of support primarily include buildings and facilities, diplomatic security (other than the local guard program), overseas employment, communications, diplomatic pouch,

receptionist and selected information management activities. The Department receives direct appropriations to provide this support.

15 Combined Statement of Budgetary Resources

The Combined Statement of Budgetary Resources reports information on how budgetary resources were made available and their status as of and for the years ended September 30, 2022 and 2021. Intra-departmental transactions have not been eliminated in the amounts presented.

The Budgetary Resources section presents the total budgetary resources available to the Department. For the years ended September 30, 2022 and 2021, the Department received approximately \$83.1 billion and \$80.1 billion in budgetary resources, respectively, primarily consisting of the following:

Source of Budgetary Resources (dollars in billions)	2022	2021
Budget Authority:		
Direct or Related Appropriations	\$ 37.9	\$ 37.9
Authority Financed from Trust Funds	5.8	3.5
Spending Authority from Providing Goods and Services	7.8	8.8
Unobligated Balance from Prior Year Budget Authority, Net	31.6	29.9
Total Budgetary Resources	\$ 83.1	\$ 80.1

Unobligated Balance from Prior Year Budget Authority, Net (dollars in billions)	2022	2021
Unobligated Balance – End of Prior Year	\$ 29.4	\$ 27.9
Recoveries of Prior Year Paid Obligations	0.3	0.2
Recoveries of Prior Year Unpaid Obligations	2.2	2.0
Funds Returned to Treasury	(0.3)	(0.2)
Unobligated Balance from Prior Year Budget Authority, Net	\$ 31.6	\$ 29.9

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, 2022 and 2021, was approximately \$33.8 billion and \$30.1 billion, respectively.

This includes amounts of \$3.1 billion for September 30, 2022 and \$2.8 billion for September 30, 2021, pertaining to revolving funds, trust funds, and substantial commercial activities. Of the budgetary resources obligated for UDO for all activities as of September 30, 2022, \$31.3 billion is for undelivered, unpaid orders and \$2.5 billion is for undelivered, paid orders. The amounts for both Federal and Non-Federal undelivered orders at September 30, 2022 are as follows:

Undelivered Orders at September 30, 2022

(dollars in billions)	Federal	Non-Federal	Total
Paid	\$ 1.6	\$ 0.9	\$ 2.5
Unpaid	0.4	30.9	31.3
Total	\$ 2.0	\$ 31.8	\$ 33.8

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 \$342 million and \$322 million for 2022 and 2021, respectively. The permanent indefinite appropriation provides payments to the FSRDF to finance the interest on the unfunded pension liability for the year, Foreign Service Pension System, and disbursements attributable to liability from military service.

Reconciliation of the Combined 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, 2021, is presented in the following table. Since these financial statements are published before the Budget, this reconciliation is based on the 2021 Combined Statement of Budgetary Resources because actual amounts for 2021 are in the most recently published Budget (i.e., 2023). The Budget with actual numbers for September 30, 2022, will be published in the 2024 Budget and available in early February 2023. The Department of State's Budget Appendix includes this

information and is available on OMB's website (<http://www.whitehouse.gov/omb/budget>).

As shown in the table below, 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, 2021 (dollars in millions)	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	\$ 80,087	\$ 50,656	\$ 2,672	\$ 37,567
Distributed Offsetting Receipts	—	—	(2,672)	2,672
Funds not Reported in the Budget:				
Expired Funds	(1,101)	—	—	—
Undelivered Orders Adjustment	(407)	—	—	—
Other and Rounding Errors	2	(15)	—	(5)
Budget of the U.S. Government	\$ 78,581	\$ 50,641	\$ —	\$ 40,234

16 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 2022 and 2021, the Department collected \$17 million and \$22 million, respectively, in custodial revenues that were transferred to Treasury.



Secretary Blinken meets with NATO Secretary General Jens Stoltenberg in Brussels, Belgium, September 9, 2022. *Department of State*

17 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 below presents components of net cost that are not part of net outlays. Common components can include depreciation, imputed costs, or changes in assets and liabilities. The second section adjusts the budget outlays that are not part of net operating cost. Components of budget outlays that are not part of net operating cost include acquisition of capital assets, inventory, and other assets.

For the Years Ended September 30,
(dollars in millions)

	2022			2021
	Intragovernmental	With the Public	Total	Total
Net Cost	\$ 53	\$ 38,355	\$ 38,408	\$ 38,370
Passport Fees Collection that are not Part of Net Outlays	—	193	193	—
Components of Net Cost that are not Part of Net Outlays:				
Property and Equipment Depreciation	—	(1,229)	(1,229)	(1,305)
Property and Equipment Gain(Loss) on Disposal & Revaluation	—	(95)	(95)	452
Applied Overhead/Cost Capitalization Offset	—	2,491	2,491	2,431
Increase/(Decrease) in Assets:				
Accounts Receivable, Net	18	(11)	7	(75)
Direct Loans and Loan Guarantees Receivable, Net	—	(2)	(2)	(3)
Securities and Investments	13	—	13	(7)
Other Assets	(346)	(292)	(638)	(427)
(Increase)/Decrease in Liabilities:				
Accounts Payable	(52)	413	361	(669)
Loans Guarantee Liability/Loans Payable	1	—	1	1
Environmental and Disposal Liabilities	—	(1)	(1)	—
Federal Employee and Veteran Benefits Payable	—	(4,593)	(4,593)	(2,533)
Other Liabilities	7	(749)	(742)	771
Financing Sources:				
Imputed Cost	(203)	—	(203)	(370)
Total Components of Net Cost that are not Part of Net Outlays	(562)	(4,068)	(4,630)	(1,734)
Financing Sources:				
Donated Revenue	—	(17)	(17)	(14)
Transfers Out(In) Without Reimbursements	41	—	41	53
Total Components of the Budget Outlays that are not Part of Net Operating Cost	41	(17)	24	39
Miscellaneous Items				
Distributed Offsetting Receipts	—	(5,204)	(5,204)	(2,672)
Other Temporary Timing Differences	—	1	1	—
Appropriated Receipts for Trust/Special Funds	—	6,103	6,103	3,564
Total Other Reconciling Items	—	900	900	892
Total Net Outlays	\$ (468)	\$ 35,363	\$ 34,895	\$ 37,567

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, *Financial Reporting Requirements*, revised. 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, 2022 and 2021, and are combined in the schedules under the header "All Others." The Department's fiduciary activities follow.

Schedule of Fiduciary Activity

As of September 30, (dollars in millions)	2022					2021				
	19X6223	19X6225	19X6226	All Others	Total	19X6223	19X6225	19X6226	All Others	Total
Fiduciary Net Assets, Beginning of Year	\$ 136	\$ 26	\$ 2	\$ —	\$ 164	\$ —	\$ 8	\$ 2	\$ —	\$ 10
Contributions	(3)	46	—	—	43	335	85	—	—	420
Disbursements to and on Behalf of Beneficiaries	(43)	(43)	—	—	(86)	(199)	(67)	—	—	(266)
Increases/(Decreases) in Fiduciary Net Assets	(46)	3	—	—	(43)	136	18	—	—	154
Fiduciary Net Assets, End of Year	\$ 90	\$ 29	\$ 2	\$ —	\$ 121	\$ 136	\$ 26	\$ 2	\$ —	\$ 164

Fiduciary Net Assets

As of September 30, (dollars in millions)	2022					2021				
	19X6223	19X6225	19X6226	All Others	Total	19X6223	19X6225	19X6226	All Others	Total
Fiduciary Assets										
Cash & Cash Equivalents										
Fund Balance with Treasury	\$ —	\$ 29	\$ 2	\$ —	\$ 31	\$ 136	\$ 26	\$ 2	\$ —	\$ 164
Investments										
Investment in Treasury Securities	90	—	—	—	90	—	—	—	—	—
Total Fiduciary Net Assets	\$ 90	\$ 29	\$ 2	\$ —	\$ 121	\$ 136	\$ 26	\$ 2	\$ —	\$ 164

19 COVID-19 Activity

The Department's budgetary resources to prevent, prepare for, and respond to the COVID-19 pandemic consist of appropriations from the Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 (Public Law No. 116-123), the Coronavirus Aid, Relief, and Economic Security Act, 2020 (Public Law No. 116-136), the Consolidated Appropriations Act, 2021 (Public Law No. 116-260), and the American Rescue Plan Act, 2021 (Public Law No. 117-2). The Department received \$699 million, \$674 million,

\$4.3 billion, and \$1.3 billion from Public Law Nos. 116-123, 116-136, 116-260, and 117-2, respectively, for maintaining consular operations, reimbursement of evacuation expenses, and emergency preparedness for Diplomatic Programs, and to prevent, prepare for, and respond to coronavirus for Global Health and Migration and Refugee Assistance Programs. Total budgetary resources, the status of resources, outlays, and net cost at September 30, 2022 and 2021, are summarized below (*dollars in millions*).

2022

Budgetary Resources	Diplomatic Programs	Consular and Border Security Programs	Global Health Programs	Migration and Refugee Assistance	Education and Cultural Exchange	International Programs and Operations	Total
Unobligated Balance Brought Forward, October 1	\$ 79	\$ 2	\$ 14	\$ 53	\$ —	\$ 580	\$ 728
Recoveries of Prior Year Unpaid/Paid Obligations	24	—	1	—	—	—	25
Appropriations	—	—	—	—	—	—	—
Total Budgetary Resources	\$ 103	\$ 2	\$ 15	\$ 53	\$ —	\$ 580	\$ 753
Status of Budgetary Resources							
New Obligations	\$ 99	\$ 2	\$ 1	\$ 53	\$ —	\$ 580	\$ 735
Unobligated, Unexpired Accounts	4	—	14	—	—	—	18
Total Budgetary Resources	\$ 103	\$ 2	\$ 15	\$ 53	\$ —	\$ 580	\$ 753
Outlays, Net							
Agency Outlays, Net	\$ 145	\$ 2	\$ 26	\$ 157	\$ —	\$ 579	\$ 909
Net Cost							
Total Net Cost	\$ 111	\$ 2	\$ 20	\$ 184	\$ —	\$ 580	\$ 897

2021

Budgetary Resources	Diplomatic Programs	Consular and Border Security Programs	Global Health Programs	Migration and Refugee Assistance	Education and Cultural Exchange	International Programs and Operations	Total
Unobligated Balance Brought Forward, October 1	\$ 37	\$ 76	\$ 99	\$ —	\$ —	\$ —	\$ 212
Recoveries of Prior Year Unpaid/Paid Obligations	1	2	—	—	—	—	3
Appropriations	204	300	4,000	500	—	580	5,584
Total Budgetary Resources	\$ 242	\$ 378	\$ 4,099	\$ 500	\$ —	\$ 580	\$ 5,799
Status of Budgetary Resources							
New Obligations	\$ 163	\$ 376	\$ 4,085	\$ 447	\$ —	\$ —	\$ 5,071
Unobligated, Unexpired Accounts	79	2	14	53	—	580	728
Total Budgetary Resources	\$ 242	\$ 378	\$ 4,099	\$ 500	\$ —	\$ 580	\$ 5,799
Outlays, Net							
Agency Outlays, Net	\$ 151	\$ 381	\$ 4,227	\$ 379	\$ 2	\$ —	\$ 5,140
Net Cost							
Total Net Cost	\$ 191	\$ 379	\$ 4,202	\$ 359	\$ 2	\$ —	\$ 5,133



Secretary Blinken holds a meet and greet with employees and families from U.S. Mission South Africa in Pretoria, South Africa, August 8, 2022. *Department of State*

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 of State'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.

2022 Statement of Net Cost (dollars in millions)		2022 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
Cost and Loss on Assumption Changes	\$ 47,086	\$ 1,667	\$ 38,139	\$ —	\$ 39,806	Non-Federal Costs
		—	3,364	—	3,364	Non-Federal Gross Cost
		1,667	41,503	—	43,170	Loss on Changes in Actuarial Assumptions (Non-Federal)
		130	443	(43)	530	Total Non-Federal Costs
		61	170	(28)	203	Intragovernmental Costs
		1,204	2,348	(632)	2,920	Benefit Program Costs
		35	228	—	263	Imputed Costs
		1,430	3,189	(703)	3,916	Buy/Sell Costs
						Other Expenses (without Reciprocals)
						Total Intragovernmental Costs
Total Gross Costs	47,086	3,097	44,692	(703)	47,086	Total Reclassified Gross Costs
Earned Revenue	8,678	4,339	476	—	4,815	Non-Federal Earned Revenue
		22	3,931	(632)	3,321	Intragovernmental Earned Revenue
		—	114	(43)	71	Buy/Sell Revenue
		1	470	—	471	Benefit Program Revenue
		23	4,515	(675)	3,863	Federal Securities Interest Revenue Including Associated Gains/Losses (Exchange)
						Total Intragovernmental Earned Revenue
Total Earned Revenue	8,678	4,362	4,991	(675)	8,678	Total Reclassified Earned Revenue
Net Cost of Operations	\$ 38,408	\$ (1,265)	\$ 39,701	\$ (28)	\$ 38,408	Net Cost

2022 Statement of Changes in Net Position (<i>dollars in millions</i>)		2022 Government-wide Reclassified Statement of Changes in Net Position (<i>dollars in millions</i>)				
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	\$ 45,969	\$ 2	\$ 45,967	\$ —	\$ 45,969	Unexpended Appropriations – Beginning Balance
Budgetary Financing Sources						
Appropriations Received	38,649	—	37,590	—	37,590	Appropriations Received
Other Adjustments	(1,059)					
Appropriations Transferred In(Out)	(72)					Non-Expenditure Transfers-In of Unexpended Appropriations and Financing Sources
		—	61	—	61	
		—	(133)	—	(133)	Non-Expenditure Transfer-Out of Unexpended Appropriations and Financing Sources
Appropriations Used	(36,495)	(1)	(36,494)	—	(36,495)	Appropriations Used
Total Unexpended Appropriations	46,992	1	46,991	—	46,992	Total Unexpended Appropriations
Cumulative Results of Operations –						
Beginning Balances	\$ 30,134	\$ 1,692	\$ 28,442	\$ —	\$ 30,134	Cumulative Results of Operations – Beginning
Other Adjustments	(30)	—	(30)	—	(30)	Revenue and Other Financing Sources – Cancellations
Appropriations Used	36,495	1	36,494	—	36,495	Appropriations Expended
Donations and Forfeitures of Cash and Cash Equivalents	17	17	—	—	17	Other Taxes and Receipts (Non-Federal)
Transfers In(Out) Without Reimbursement	18					Non-Expenditure Transfers-In of Unexpended Appropriations and Financing Sources
		115	(1)	(113)	1	
		—	(114)	113	(1)	Non-Expenditure Transfers-Out of Unexpended Appropriations and Financing Sources
		63	—	—	63	Appropriation of Unavailable Special or Trust Fund Receipts Transfers-In
		(4)	—	—	(4)	Appropriation of Unavailable Special or Trust Fund Receipts Transfers-Out
		—	13	—	13	Transfers-In Without Reimbursement
		(32)	(22)	—	(54)	Transfers-Out Without Reimbursement
Imputed Financing	203	61	170	(28)	203	Imputed Financing Sources
Non-Entity Collections	(193)	—	(193)	—	(193)	Non-Entity Custodial Collections Transferred to the General Fund
Net Cost of Operations	(38,408)	1,265	(39,701)	28	(38,408)	Net Cost of Operations
Total Cumulative Results of Operations	28,236	3,178	25,058	—	28,236	Total Cumulative Results of Operations
Net Position	\$ 75,228	\$ 3,179	\$ 72,049	\$ —	\$ 75,228	Total Net Position

Enterprise Data Strategy Campaign: Strategic Competition with the People's Republic of China



Secretary Blinken meets with Chinese State Councilor and Foreign Minister Wang Yi, on the margins of the 77th Session of the United Nations General Assembly High Level Week in New York City, New York, September 23, 2022. *Department of State*

A changing global competitive landscape has highlighted the critical need for data informed diplomacy. The Department's first mission-focused campaign in support of the Enterprise Data Strategy focused on strategic competition with the People's Republic of China. Led by the Bureau of East Asian and Pacific Affairs and the Office of Management Strategy and Solutions' Center for Analytics, the campaign used data to analyze and understand the nature and scope of the People's Republic of China's global activities to inform the Department's strategic planning and foreign assistance.

Over a six-month period, the campaign used reporting from the Department's global network of posts, together with high-quality commercial data sources, which enhanced the Department's flagship analytics toolkit for tracking and analyzing global activities of the People's Republic of China. The data informed strategic planning around foreign assistance and diplomatic posture was used to augment analyses and briefing materials for senior Department and U.S. Government principals on strategic competition with the People's Republic of China.

Required Supplementary Information

Unaudited, See Accompanying Auditor's Report

COMBINING STATEMENT OF BUDGETARY RESOURCES For the Year Ended September 30, 2022 (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	\$ 16,749	\$ 122	\$ 182	\$ 2,010	\$ 12,568	\$ 31,631
Appropriations (Discretionary and Mandatory)	18,878	3,161	187	1,854	19,606	43,686
Borrowing Authority (Discretionary and Mandatory)	2	—	—	—	—	2
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	7,727	—	14	49	20	7,810
Total Budgetary Resources	\$ 43,356	\$ 3,283	\$ 383	\$ 3,913	\$ 32,194	\$ 83,129
Status of Budgetary Resources:						
New Obligations and Upward Adjustments (Total)	\$ 29,647	\$ 2,453	\$ 233	\$ 2,643	\$ 19,251	\$ 54,227
Unobligated Balance, End of Year:						
Apportioned, Unexpired Accounts	11,568	800	141	1,150	12,426	26,085
Exempt from Apportionment, Unexpired Accounts	398	—	—	6	3	407
Unapportioned, Unexpired Accounts	1,078	6	4	1	257	1,346
Unexpired Unobligated Balance, End of Year	13,044	806	145	1,157	12,686	27,838
Expired Unobligated Balance, End of Year	665	24	5	113	257	1,064
Unobligated Balance, End of Year (Total)	13,709	830	150	1,270	12,943	28,902
Total Budgetary Resources	\$ 43,356	\$ 3,283	\$ 383	\$ 3,913	\$ 32,194	\$ 83,129
Outlays, Net:						
Outlays, Net (Total) (Discretionary and Mandatory)	\$ 17,805	\$ 3,172	\$ 142	\$ 1,617	\$ 17,363	\$ 40,099
Distributed Offsetting Receipts	(5,204)	—	—	—	—	(5,204)
Agency Outlays, Net (Discretionary and Mandatory)	\$ 12,601	\$ 3,172	\$ 142	\$ 1,617	\$ 17,363	\$ 34,895



Secretary Blinken poses for a photo at a United Nations LGBTI Core Group Event, on the margins of the 77th Session of the United Nations General Assembly High Level Week in New York City, New York, September 19, 2022. *Department of State*

Deferred Maintenance and Repairs

Deferred Maintenance and Repairs (DM&R) are maintenance and repairs that were not performed when they should have been, that were scheduled and not performed, or that were delayed for a future period. Maintenance and repairs are activities directed towards keeping General Property and Equipment in acceptable operating condition. These activities include preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the asset so that it can deliver acceptable performance and achieve its expected life. 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. The Department occupies more than 8,500 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 facilities globally without the reliance on a manual data call process, allowing for a more complete DM&R estimate. FCI is the ratio of repair needs to the replacement value of a facility as calculated by:

$$\text{FCI} = 1 - \frac{\$ \text{ Repair Needs}}{\$ \text{ Replacement Value}} \times 100\%$$

Repair needs are defined as the non-recurring costs that reflect the amount necessary to ensure that a constructed asset is restored to a condition substantially equivalent to the originally intended and designed capacity, efficiency, or capability. In accordance with the Federal Real Property Portfolio definition of repair need, the Department uses repair needs identified by overseas facilities managers. Since this process does not identify repair need costs for all 8,500+ properties, the Department also uses parametric modeling to supplement these results. Based on the ages and expected useful life of individual systems and documented FCI results, the FCI parametric model uses deterioration curves to reflect how systems decline over time.

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 uses construction unit rates, as determined by its Office of Cost Management, for each property use code recorded in its Real Property Application. The Department multiplies these unit rates by the size of each property to determine replacement values.

Deferred Maintenance and Repairs are based on the FCI. An FCI score of 100 percent indicates a facility that is in a condition substantially equivalent to the originally intended and designed capacity, efficiency, or capability. SFFAS No. 42, *Deferred Maintenance and Repairs*, defines maintenance and repairs as 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 these definitions, the Department's management has determined that an FCI score of 70 percent indicates an acceptable condition.

While the Department's average FCI for its worldwide asset inventory is currently at 80 percent, the large number of new facilities constructed over the past 20 years influences this result. The proportion of properties with an FCI score below 70 percent increases with age. As a result, the Department's DM&R is determined to be the total repairs needed to consistently maintain all owned and capital leased properties up to an acceptable FCI score of 70 percent.

Factors Considered in Determining Acceptable Condition

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

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

The Department continues to make progress on refining and developing its plan to address the DM&R backlog. The Department's Bureau of Overseas Buildings Operations (OBO) forecasts funding for its overseas DM&R backlog based on parametric models generated from OBO's Global Maintenance Management System. OBO is addressing the overseas DM&R backlog by implementing a Sustainment, Restoration, and Modernization (SRM) framework, which was deployed in October 2019. The SRM framework includes site surveys

and data collection from the Department's embassies and consulates as part of the Facility Performance Evaluations, which are performed every five years. The SRM framework can better project operational and maintenance costs for the life cycle of facilities in its overseas portfolio by identifying, categorizing, and prioritizing requirements based on the FCI, by region. This methodology helps the Department optimize its corrective and preventive maintenance spending, while ensuring that its facilities are maintained in an acceptable condition.

The Department's DM&R balances as of September 30, 2022, and 2021, follow.

Deferred Maintenance and Repairs (dollars in millions)

Asset Category	2022			2021		
	Other	IBWC	Total	Other	IBWC	Total
General Property and Equipment	\$ 3,049	\$ 7	\$ 3,056	\$ 2,593	\$ 5	\$ 2,598
Heritage Assets (Secretary of State's Register of Culturally Significant Property)	577	3	580	422	2	424
Total	\$ 3,626	\$ 10	\$ 3,636	\$ 3,015	\$ 7	\$ 3,022

Land

The Department holds land predominantly for operational purposes. This land is located domestically and overseas to fulfill its foreign policy mission. The Department does not oversee stewardship land, except for an IBWC-administered parcel holding the archeological remains of Fort Brown, a battlefield site in south Texas.

The Office of Real Property Management oversees the Department's domestic real estate portfolio, including office, infrastructure, and warehouse space. Across the United States, the Department manages more than 150 properties leased through the U.S. General Services Administration (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 IBWC is responsible for the management of programs, facilities, and infrastructure created pursuant to treaties between the United States and Mexico.

The table reports the Department's land, by predominant use, as of September 30, 2022. Only the Fort Brown land was deemed held for disposal or exchange. House Resolution 268, passed by the U.S. House of Representatives, would transfer the 166.44-acre parcel to the Palo Alto Battlefield National Historical Park, managed by the National Park Service. At year end, this bill was under consideration by the U.S. Senate. However, at the present time, only 2.81 acres of the 166.44-acre parcel is registered as a historical landmark in the National Register of Historic Places.

Land by Predominant Use (Estimated Number of Acres)

Location	Commercial	Conservation and Preservation	Operational	Total Estimated Acreage
Domestic	—	—	937.36	937.36
Overseas	—	—	6,677.51	6,677.51
IBWC	—	2.81	146,747.83	146,750.64
End of Current Year	—	2.81	154,362.70	154,365.51

Enterprise Data Strategy Campaign: Diversity, Equity, Inclusion, and Accessibility Demographic Baseline Report



Secretary Blinken visits the Office of Accessibility and Accommodation's Access Center as part of the commemoration of the 32nd anniversary of the signing of the Americans with Disabilities Act in Washington, D.C., July 25, 2022. *Department of State*

The Department's first Diversity, Equity, Inclusion, and Accessibility (DEIA) Demographic Baseline Report was released to the Department as an interactive dashboard in May 2022. The dashboard provides a comprehensive snapshot of the Department workforce as of the end of fiscal year 2021, broken down by sex, race, ethnicity, and disability status, as well as bureau, employment category, and grade or rank. The report also compares the demographics of every bureau's civil service cohort and of every foreign service specialist skill group with the demographic representation in comparable job categories within the total U.S. labor force. The report was developed and is managed by the DEIA Data Working Group, comprised of the Secretary's Office of Diversity and Inclusion (ODI), Bureau of Global Talent Management, the Office of Management Strategy and Solutions, and the Office of Civil Rights.

The DEIA Demographic Baseline Report is a critical milestone in the Secretary's ODI efforts to measure DEIA progress concretely and transparently while holding the Department accountable. The dashboard will be refreshed annually and serves as a baseline against which future DEIA efforts can be measured. Anomalies in demographic representation in the Baseline Report dataset can and have served as triggers for conducting DEIA barrier analyses. Barrier analyses allow further qualitative and quantitative investigation into the policies, procedures, and practices that may prevent the success or advancement of historically underrepresented groups. The annual refresh of the Baseline Report will help measure the effectiveness of barrier analyses and other Department DEIA efforts.

Enterprise Data Strategy Campaign: Multilateralism



Secretary Blinken delivers an address at the NPT Review Conference at the United Nations in New York City, New York, August 1, 2022.
Department of State

Since World War II, the United States has played a crucial leadership role among nations by helping create multilateral institutions to promote a safer, just, and more inclusive world. It is a key priority of the Department to engage in multilateral diplomacy through the United Nations (UN), regional bodies, and alliances to enhance security, promote democratic values, and protect U.S. interests.

The Department's second mission-focused campaign in support of the Enterprise Data Strategy focused on Multilateralism. This campaign, led by the Bureau of International Organization Affairs and the Office of Management Strategy and Solutions' Center for Analytics, leveraged data and technology to inform multilateral diplomacy strategy and decision making.

Over a six-month period, the team developed a series of analytic platforms to track U.S. funding to international organizations, U.S. citizen personnel employed in the multilateral system, and voting coincidence of UN member states. It also created data attachments for senior leaders' meetings during the UN General Assembly High Level Week for data informed conversations, created applications to track UN elections and improve U.S. citizen advocacy for international organization positions, and provided the Secretary an advantage when making decisions on international travel and engagement more effectively.

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). Below is management's summary of these matters as required by OMB Circular A-136, *Financial Reporting Requirements*, revised.

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

Summary of Management Assurances

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

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

Definition of Terms

Beginning Balance: The beginning balance must agree with the ending balance from the prior year.

New: The total number of material weaknesses/non-conformances identified during the current year.

Resolved: The total number of material weaknesses/non-conformances that dropped below the level of materiality in the current year.

Consolidated: The combining of two or more findings.

Reassessed: The removal of any finding not attributable to corrective actions (e.g., management has re-evaluated and determined that a finding does not meet the criteria for materiality or is redefined as more correctly classified under another heading).

Ending Balance: The year-end balance that will be the beginning balance next year.



The Department's Challenges and Management's Response

Office of Inspector General Introduction

This report is provided in accordance with the Reports Consolidation Act of 2000¹. Each year, 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 assess progress primarily through our compliance process, which relates to individual and often targeted recommendations. Our oversight work provides a unique window into common and emergent issues.

Throughout FY 2022, the Coronavirus Disease 2019 (COVID-19) pandemic affected OIG's operations for a third consecutive year, but we adapted our programs and processes to ensure our critical functions continued. Despite such obstacles, we published 85 reports in FY 2022. Based on these reports and our previous work, OIG identified the following major management and performance challenges facing the Department:

- 1 Protecting People and Facilities
- 2 Managing and Overseeing Contracts, Grants, and Foreign Assistance
- 3 Managing and Securing Information
- 4 Managing Finances and Property
- 5 Operating in Contingency and Critical Environments
- 6 Managing the Workforce
- 7 Promoting Accountability Through Internal Coordination and Clear Lines of Authority

This document includes examples of reports and findings that illustrate these challenge areas. In addition to publicly

available work, OIG issues a number of Sensitive But Unclassified² and Classified reports throughout the year. Many of the findings in these reports reinforce our assessment of these management challenges.

Continued attention to management challenges will improve the Department's capacity to fulfill its mission while exhibiting good stewardship of public resources. OIG encourages the Department to apply specific recommendations broadly, where systemic improvements can be made that result in meaningful change.

Management Introduction

As the President emphasized in the National Security Strategy, the challenges of our age require new investments and innovation to sharpen the United States' competitive edge and bolster our resilience. Toward these ends, the Department made significant progress in 2022 in advancing its management platform, even as it continued to address prior management challenges, including the major management challenges identified by the OIG. At the center of these efforts is the Modernization Agenda, which aims to shape the Department to meet today's challenges and ensure it is strong, effective, diverse, and flexible enough to lead America's engagement in the world.

The Modernization Agenda focuses across six initiatives: building capacity and expertise to address critical missions; modernizing training and professional development; institutionalizing a mission-first, agile,

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

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

and hybrid workforce; attracting and retaining talent; modernizing technology and the use of data; and shifting the institution's culture toward decisive leadership and agility.

To develop and execute U.S. foreign policy, the Department must be organized and resourced for the challenges of today, and its workforce equipped with necessary skills and abilities. In 2022, the Department launched the Bureau of Cyberspace and Digital Policy and planned for the launch of "China House," an integrated collaborative structure that will draw expertise from across Department bureaus and offices into a single hub to ensure a coordinated approach to address the complex and significant foreign policy challenges posed by the People's Republic of China.

The Department also concluded an analysis to identify the skills, expertise, and capacity required to lead U.S. diplomacy and launched initiatives to revitalize training and professional development to increase opportunities for employees to acquire new skills, expand their experience, and grow personally and professionally throughout their careers. In addition to new mid-career professional skills training and expanded content offerings in emerging fields, the Department began to expand its training complement ("float") of Foreign Service and Civil Service personnel.

In 2022, the Department's workforce continued to demonstrate its resilience and agility, all while transitioning to a hybrid work environment from the largely remote environment of the pandemic. The Department is committed to supporting its workforce and equipping it to address today's challenges. Through its Future of Work plan, the Department aims to retain, to the greatest extent possible, the workplace flexibilities successfully adopted during the pandemic and to modernize policies, enhance workplace flexibilities, expand access to mobile technology, and improve workspace functionality.

The above steps will also help the Department recruit and retain top talent, critical to its efforts to be an employer of choice in the 21st Century. To attract talent from all segments of society, the Department established new fellowship programs, including the Colin L. Powell Leadership Program, and introduced modern assessment tools into its hiring processes. On retention, the Department launched its first Retention Unit, which initiated exit interviews and a stay survey for the development of an agency-wide retention strategy, anticipated in 2023. The Department has actively addressed various payroll issues caused by transitioning to a new payroll system and is committed to improving service to its employees, although work remains to be done.

To ensure that our workforce is diverse and reflects the country's full depth and breadth of talent, the Department continues to enhance its Diversity, Equity, Inclusion, and Accessibility (DEIA) strategy. DEIA provides a necessary foundation to build an institution where every employee can realize their full potential and have their voice heard, which will translate into a stronger, smarter, and more effective foreign policy.

The Department is also taking steps to modernize its footprint. The new Enterprise Location Framework will help the Department identify optimal locations for domestic organizations based on mission requirements. This framework is largely based on the results of the Mobility Assessment Tool, which identified the extent to which work functions can be accomplished remotely versus on-site.

The Department is also working to ensure that it is positioned to manage today's cyber threats and that data is integrated into policy and decision-making. Improving cybersecurity is a priority, and the Department aims to give decision-makers actionable intelligence based on critical cybersecurity data. To prevent network intrusions, the Department is implementing initiatives to harden networks and improve cybersecurity hygiene. Additionally, the Department launched a pilot to expand mobile secure communications access for its workforce. In the year since the Department's first Enterprise Data Strategy was approved, its Center for Analytics has partnered with a range of bureaus to leverage data as a critical instrument of diplomacy, surging analytic resources to top-priority foreign policy and management challenges, and making it easier for Department personnel around the world to obtain the right data at the right time.

A key component of modernization is transforming the Department's culture to manage, rather than avoid, risk. As the Department's Enterprise Risk Management Council, the Executive Governance Board sets the tone and direction for risk management policies, communications, and training throughout the organization, and is considering ways to advance the Department's risk culture through improved policies and procedures and employee engagement. It is the Department's policy that advancement of U.S. foreign policy objectives inherently involves diverse types of risk, and the Department recognizes that taking assessed and measured risks can be essential to creating value for our stakeholders.

The Department promptly takes corrective actions in response to OIG findings and recommendations. Highlights are summarized in the respective sections that follow.

Message From the Senior Official Performing the Duties of the Inspector General



Senior Official Performing the Duties of the Inspector General, Diana R. Shaw

The Department plays a critical role on behalf of the American people. The U.S. government's national security strategy asserts that, "today, more than ever, America's fate is inextricably linked to events beyond our shores."³ In this context, it is of particular importance that the Department succeed in its mission to protect and promote U.S. security, prosperity, and democratic values to shape an international environment in which all Americans can thrive.

If not properly addressed, major management challenges will impede the Department's ability to execute on this critical global mission. That is why we carefully examine the Department's standing in key areas and report on its top management challenges annually. This year, as in recent years, we identified seven major management challenges for the Department. Several of these challenges relate to the execution of core management functions, including financial, facilities, information technology, and workforce, as well as management and oversight of contracts, grants, and foreign assistance. Other challenges involve ensuring accountability, operating in difficult contingency environments, and delivering on basic security and safety expectations for people and facilities.

In addition to highlighting the different dimensions of these major challenge areas for the Department, our work identified tangible action that officials can take to ensure improvement. A few examples from this year's work follow:

- Department information systems are subject to serious threats that can lead to exploited weaknesses and compromised sensitive information. So, when an audit

of the Department information security program identified weaknesses in eight of nine information security domains, we continued to recommend that the Department take steps to ensure that all Department information systems are authorized to operate and that officials establish an effective continuous monitoring program for Department systems.⁴

- Effective management and oversight of grants and contracts is integral to ensuring that the activities meet Department needs and deliver on expectations. Accordingly, when we found significant deficiencies in the Department's domestic guard service contract oversight prompting us to question \$360 million in related expenditures, we recommended key improvements to related invoice review practices that the Department has agreed to implement.⁵
- The integrity of recruitment and hiring decisions is critical to maintaining an effective human capital system. Unfortunately, we found that public members serving on the Department's Foreign Service Selection Boards did not fully meet Department qualifications and that family members and personal friends of Department employees had been selected for these roles. Therefore, we recommended measures for improving management oversight of the public member selection process.⁶

These represent just a few examples of the concrete ways that we have worked with the Department over the past year to strengthen its response to the management challenges it faces.

In addition, in developing our oversight plans, we assess conditions that could lead to new management challenges for the Department and develop audits, inspections, and evaluations to identify opportunities for officials to respond to the new contours of these challenge areas. Accordingly, our current work and future oversight plans are designed to examine how the Department is adapting to some of the greatest foreign policy tests of our time. We are building, for example, a rich body of work on the Department's response to the U.S. government's withdrawal from Afghanistan that speaks to, among other things, the work of its remote mission in Doha, Qatar, as

³ The White House, Interim National Security Guidance, March 2021.

⁴ OIG, *Audit of the Department of State FY 2022 Information Security Program* (AUD-IT-22-45, September 2022).

⁵ OIG, *Audit of the Bureau of Diplomatic Security's Oversight of Contractor Performance and Invoice Processing for the Domestic Guard Services Contract* (AUD-SI-22-37, September 2022).

⁶ OIG, *Review of the Recruitment and Selection Process for Public Members of Foreign Service Selection Boards* (ESP-22-02, May 2022).

well as the emergency action planning that led up the 2021 withdrawal. Oversight of the Ukraine situation response efforts also represents a major OIG priority, as ongoing work will examine the operations of affected missions, assess the effectiveness of humanitarian response efforts, and examine security and economic coordination through multilateral organizations, among other areas. To help Department officials navigate related challenges, OIG plans to issue a product that shares observations from past work to inform the Department's ongoing response efforts.⁷

We remain committed to thorough and timely oversight of Department programs and operations and look forward to continuing to work with the Department to make progress in these important challenge areas in the year to come.

OIG Identified Major Management and Performance Challenges and Management Responses

1 Protecting People and Facilities

The Department's global presence and the pervading threat of physical violence directed toward U.S. diplomats makes the protection of people and facilities a critical management challenge. Although the Department prioritizes safety and security, all personnel and facilities face some level of risk.

The construction and maintenance of safe and secure diplomatic facilities is a component of this challenge, which has serious implications in regions affected by conflict and instability. Our FY 2022 inspection work continued to identify problems related to facilities maintenance at several overseas posts, including pervasive fire safety deficiencies.⁸

Related to the health and safety of its personnel abroad, the recent pandemic presented a new issue for the Department. Maximum telework was encouraged for both domestic and overseas staff members throughout much of the pandemic and the Department regularly provided staff with

information that addressed common concerns and detailed best practices for returning to the office.⁹

Management of embassy residences is another area with implications for health and safety of personnel. OIG notes that in FY 2022, the Department made numerous improvements in response to 19 recommendations from two 2021 reports that assessed management of occupational safety, health, and fire protection programs for overseas operations.¹⁰ The Department improved its compliance with the requirement for Post Occupational Safety and Health Officers (POSHO) to certify that residences meet safety standards. Specifically, at the time of OIG's inspection in October 2020, about 62 percent of residences worldwide had a POSHO certification, but that rate improved to 91 percent by late July 2022. Additionally, the Department now requires chiefs of mission to certify in their annual statement of assurance that the mission has an effective fire protection program. Finally, the Department revised and clarified guidance in certain sections of the Foreign Affairs Manual (FAM) to reduce confusion and increase compliance with occupational safety, health, and fire protection program requirements.¹¹

The operation of official vehicles is a component of this challenge where OIG continues to see deficiencies with health and safety implications. As in previous years, we found instances where drivers either did not receive or were not current with required driver safety training or refresher training in accordance with the FAM.¹² Several embassies also failed to fulfill medical certification requirements for drivers and allowed drivers to exceed limits for driving shifts.¹³ In one example, OIG found several mission drivers exceeded the 10-hour daily duty shift maximum in 20 of the 21 pay periods reviewed.¹⁴

Lastly, we assess emergency action planning as part of this challenge. Department guidelines require U.S. embassies to maintain post-specific emergency action plans to respond to situations such as bombs, fires, civil disorder, or natural disasters. Although we frequently find substantial compliance with these guidelines, we continue to highlight

⁷ OIG Work Plan: Fiscal Years 2023, 2024.

⁸ OIG, *Inspection of Embassy Luxembourg, Luxembourg* (ISP-I-22-09, February 2022).

⁹ OIG, *Inspection of Embassy Budapest, Hungary* (ISP-I-22-12, May 2022).

¹⁰ OIG, *Inspection of the Bureau of Overseas Buildings Operations' Office of Safety, Health, and Environmental Management* (ISP-I-21-21, April 2021) and OIG, *Inspection of the Bureau of Overseas Buildings Operations' Office of Fire Protection* (ISP-I-21-22, May 2021).

¹¹ 15 FAM 900, "Fire Protection Program."

¹² ISP-I-22-12, May 2022.

¹³ OIG, *Inspection of Embassy Tallinn, Estonia* (ISP-I-22-21, August 2022); *Inspection of Embassy Oslo, Norway* (ISP-I-22-23, July 2022); OIG, *Inspection of Embassy Montevideo, Uruguay* (ISP-I-22-11, April 2022); OIG, *Inspection of Santiago, Chile* (ISP-I-22-10, March 2022); OIG, *Inspection of the U.S. Mission to the Dutch Caribbean* (ISP-I-22-04, December 2021); *Inspection of Embassy Reykjavik, Iceland* (ISP-I-22-02, October 2021), ISP-I-22-12, May 2022.

¹⁴ ISP-I-22-10, March 2022.

deficiencies that have significant safety implications. Our overseas inspections noted some deficiencies related to crisis management preparation, particularly within Consular Sections.¹⁵ Additionally, during an audit specifically looking at emergency action planning at domestic facilities,¹⁶ OIG concluded that the Department was principally prepared

to respond to and recover from emergencies at selected domestic facilities, but that 6 percent of domestic facilities used by the Department as of October 2021 did not have a facility emergency action plan.¹⁷ In addition, OIG found that facility emergency action plans were not always complete or accurate.¹⁸

Management Response

The protection of people and facilities remains of utmost importance for the Department as it executes U.S. foreign policy. Below is additional information about specific issues raised by OIG and improvements the Department has made to better protect people and facilities.

Construction and Maintaining Safe and Secure Diplomatic Facilities

The Department continues to prioritize providing safe, secure, functional, and resilient facilities that represent the U.S. Government to the host nation and support the Department's achievement of U.S. foreign policy objectives abroad. In 2022, the Department moved 1,923 people to safer, more secure facilities.

While delays in global construction directly related to COVID-19 have begun to resolve, the Department faces new challenges, such as the loss of \$704 million in purchasing power due to inflation since 2014 and its impact on embassy construction planning. Compounding this loss, due to the pandemic, the construction industry has experienced exceptionally fast-rising costs for a variety of materials, as well as major supply chain disruptions.

Regarding the maintenance of its facilities, the Department is focusing on recruitment to close its facility manager staffing gap, as well as adding full-time equivalent positions to its Overseas Regional Support Centers. The Department plans to open additional Overseas Regional Support Centers in 2023, as they are an effective regional approach to targeting and improving facility maintenance overseas.

Ensuring the Health and Safety of Personnel Abroad

As the OIG noted, the Bureau of Overseas Buildings Operations (OBO) continues to improve its Fire Protection and Safety, Health, and Environmental Management programs through addressing and closing all eight recommendations from the OIG's *Inspection of the Bureau of Overseas Buildings Operations' Office of Fire Protection* (ISP-I-21-22) and eight out of 11 recommendations from the *Inspection of the Bureau of Overseas Buildings Operations' Office of Safety, Health, and Environmental Management* (ISP-I-21-21) as of September 2022. Both programs received additional full-time equivalent positions in 2022 and are working to fill those vacancies and to initiate annual fire and life safety visits overseas instead of the current biennial inspection cycle. These positions will not only increase inspection frequency but also improve training and support in the field for these crucial programs.

On the safe operation of motor vehicles, the Department continued to expand its successful DriveCam program by adding three new posts in 2022, bringing the total to 28 posts in the program. DriveCam is proven to reduce the fatalities associated with motor vehicle fleet operations in the highest risk driving environments in the world, reducing fatalities by 82 percent at the posts where the program is installed. Moreover, the lessons learned from the program have been applied worldwide, reducing overall motor vehicle fatalities by 75 percent.

The Bureau of Medical Services is aware of some of the challenges in fulfilling medical certifications requirements for drivers and, as a result, is working on revisions to the Driver Physical Exam policy and associated processes to allow more timely and appropriate medical evaluations. In

¹⁵ OIG, *Inspection of Embassy Athens and Constituent Post, Greece* (ISP-I-22-14, May 2022).

¹⁶ OIG, *Audit of Department of State Emergency Action Plans at Selected Domestic Facilities*, (AUD-SI-22-36, September 2022).

¹⁷ OIG, *Management Assistance Report: Improvements Needed in Procedures for Emergency Action Planning at Selected Department of State Domestic Facilities* (AUD-SI-22-27, April 2022).

¹⁸ AUD-SI-22-36, September 2022.

addition, the Bureau of Medical Services is collaborating with other Bureaus and motor pool supervisors to develop data tracking systems to monitor drivers' compliance with required medical certifications.

Emergency Preparedness

Emergency planning at the Department, both at home and abroad, is a key factor in the success of the Department's ability to prepare for and handle emergencies of all types. All recommendations presented in the OIG's *Management Assistance Report: Improvements Needed in Procedures for Emergency Action Planning at Selected Department of State Domestic Facilities* (AUD-SI-22-27) have been

addressed and closed, ensuring that domestic facilities requiring a facility emergency action plan have one.

The Department's Office of Emergency Management is working with the Bureau of Diplomatic Security (DS) to develop a new domestic emergency planning system, comparable to the Post Emergency Guidance Assistance System used for emergency action planning overseas. This will modernize planning efforts and ensure all domestic facilities have current and appropriate emergency action plans. This also aligns with the Department's IT Strategic goals – Strengthen IT Management and Service Delivery and Mission Effectiveness and Modernization – by using a uniform planning tool and streamlined IT data management.

2 Managing and Overseeing Contracts, Grants, and Foreign Assistance

The oversight of contracts, grants, and foreign assistance continues to be a significant challenge for the Department. Those responsible for award oversight must monitor and document performance, confirm that work has been conducted in accordance with the terms of the award, hold contractors and grantees accountable for nonperformance, and ensure that costs are effectively contained. Domestically and abroad, Department entities did not consistently and adequately monitor and document contractor and grantee performance. Several examples from our FY 2022 work follow.

An audit of security, construction, and facility and household services contracts at overseas posts showed that contractors did not always establish and maintain trafficking in persons (TIP) compliance plans in accordance with Federal Acquisition Regulation requirements, and Department Contracting Officer's Representatives (COR) did not always request and review the TIP compliance plans for the purpose of developing required TIP monitoring strategies. Furthermore, Department contracting personnel did not consistently implement management controls for monitoring contracts to ensure contractors do not engage in unlawful TIP practices.¹⁹

Because of their significant value, typically long periods of performance, and serious implications for security, OIG

applies focused scrutiny to the oversight of construction contracts. In an audit conducted this year, we assessed eight large overseas construction projects and found that neither the Bureau of Overseas Buildings Operations nor the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management fully complied with the acquisition planning and market research requirements in federal and Department guidance. For example, none of the projects reviewed had a formal written acquisition plan. The deficiencies identified during the audit deprive the Department of opportunities for increased competition that could enhance its ability to obtain quality construction services at reasonable prices.²⁰

OIG also audited the Bureau of Diplomatic Security's (DS) administration of the Department's domestic guard services contract and found that DS did not administer the contract in accordance with requirements. For example, OIG found incomplete COR files and inadequate invoice reviews. Additionally, OIG identified numerous deficiencies with the supporting documentation provided for selected invoices, including mathematical errors, lack of overtime approval, and incorrect number of hours worked. The deficiencies occurred for several reasons, including lack of procedures. Until the deficiencies are addressed, DS will not have reasonable assurance that contract administration is performed appropriately. As a result of the audit, OIG identified more than \$360 million in questioned costs.²¹

¹⁹ OIG, *Audit of Department of State Actions to Prevent Unlawful Trafficking in Persons Practices When Executing Security, Construction, and Facility and Household Services Contracts at Overseas Posts* (AUD-MERO-22-28, May 2022).

²⁰ OIG, *Audit of Department of State Efforts To Promote Competition for Overseas Construction Jobs* (AUD-CGI-22-34, August 2022).

²¹ AUD-SI-22-37, September 2022.

In a review of five cooperative agreements awarded by the Global Engagement Center (GEC) from FY 2018 through FY 2020, OIG found that third-party contractors were assigned to perform inherently governmental functions on four of the awards reviewed. GEC officials did not design and implement internal controls to ensure that only GEC federal employees retained decision-making authority over functions that are intimately related to the public's interest, which posed risks for award management and oversight.²²

In another audit, OIG assessed whether selected grant and cooperative agreement recipients complied with cost-sharing requirements. OIG found that recipients generally complied with requirements. However, OIG identified a lack of supporting documentation for 13 percent of expense transactions selected for testing and issues with how some recipients reported cost-share amounts. The deficiencies occurred due to insufficient internal controls. For example, monitoring plans were not tailored to awards and monitoring controls were not adjusted when the COVID-19 pandemic prevented site visits. Grants Officer Representative (GOR) training did not provide adequate instruction for oversight of cost-share requirements and Grants Officers (GO) and GORs also lacked clarity related to their responsibilities for monitoring financial aspects of awards. Because of the deficiencies identified, the Department did not have assurance that award recipients' cost-sharing requirements are being fulfilled, resulting in OIG identifying questioned costs.²³

An audit of federal assistance awards to for-profit organizations provides another example of issues related to this management challenge. The audit identified that GOs and GORs did not consistently perform and document performance and financial monitoring, complete annual updates to risk assessments and monitoring plans, obtain audit reports, or conduct annual reviews when applicable. In addition, OIG found that oversight personnel were maintaining key documentation in "unofficial" award files that included personal computer drives, shared drives, or bureau-specific systems, which is contrary to Department policy. The primary reason for the deficiencies identified was that the Department had not required the use of key oversight functions within its financial assistance management system.²⁴ Until the deficiencies are corrected, the Department cannot be sure that awards are administered in accordance with requirements.

Several inspections revealed similar grant management issues.²⁵ At one embassy, the Public Diplomacy Section's grant files did not consistently meet the Department's Federal Assistance Directive standards for documentation. OIG found that while all files reviewed contained notice of award and award provisions, and most contained payment documentation, fulfillment of other requirements, such as a monitoring plan and evidence of monitoring, was lacking.²⁶

Management Response

The Department understands the value and importance of proper management of contracts, grants, and foreign assistance programs, which includes monitoring and documenting contractor performance, conducting thorough invoice reviews, and overseeing construction contracts. In 2022, the Bureau of Administration, Office of the Procurement Executive (A/OPE) acknowledged the concerns outlined in the various audit reports cited under this challenge. With respect to TIP compliance

plans, A/OPE has begun revising existing policy, guidance, and training courses to identify the need to request, review, and monitor a contractor's TIP Plan as required under Federal Acquisition Regulation clause 52.222-50. All the contracts identified in the audit have been evaluated and the Contracting Officers are working with the companies to correct deficiencies cited in their TIP Plans. A/OPE is coordinating and collaborating with the Foreign Service Institute and the Office to Monitor

²² OIG, *Management Assistance Report: Internal Controls are Needed to Safeguard Inherently Governmental Functions at the Global Engagement Center* (AUD-MERO-22-19, February 2022).

²³ OIG, *Audit of Compliance with Cost-Sharing Requirements for Selected Department of State Grants and Cooperative Agreements* (AUD-CGI-22-12, November 2021).

²⁴ OIG, *Audit of Department of State Management and Monitoring of Federal Assistance Awards to For-Profit Organizations* (AUD-CGI-22-26, May 2022).

²⁵ OIG, *Inspection of Embassy Sofia, Bulgaria* (ISP-I-22-18, May 2022); OIG, *Inspection of the Bureau of Administration, Office of the Executive Director* (ISP-I-22-07, January 2022); OIG, *Inspection of the Bureau of East Asian and Pacific Affairs* (ISP-I-22-06, December 2021); OIG, *Inspection of Embassy Asuncion, Paraguay* (ISP-I-22-05, December 2021); OIG, *Inspection of the Office to Monitor and Combat Trafficking in Persons* (ISP-I-22-01, October 2021); ISP-I-22-11, August 2022; ISP-I-22-10, March 2022; ISP-I-22-09, February 2022; ISP-I-22-14, May 2022; ISP-I-22-12, May 2022; ISP-I-22-11, April 2022; ISP-I-22-04, December 2021.

²⁶ ISP-I-22-09, February 2022.

and Combat Trafficking in Persons as the training and guidance is revised.

On overseas construction projects, A/OPE and OBO are working together to improve acquisition planning processes and identify more efficient market research methodologies, which should improve the competitive posture for these types of procurements. A/OPE is developing policy to include standardized acquisition plan template(s) which will align with regulatory and Departmental guidance and be mandated for use upon publication. Key milestones related to acquisition planning and market research will be added to the OBO project schedule template. An oversight process for the OBO construction portfolio has been implemented utilizing quarterly senior management coordination meetings as well as other standing meetings.

The Department remains committed to promoting competition through its robust industry outreach program and through collaboration and engagement with professional associations. As a result of this collaboration, the Department has staggered dates for release of Requests for Proposals, explored the use of stipends to qualified offerors for travel to pre-bid conferences, considered alternate contract delivery methods, improved contract language, and included clauses to allow for economic price adjustments. However, the Department notes that current market conditions and risk tolerances, such as dynamic conditions in commodity pricing, high inflation, labor and supply chain constraints, and tight controls in the bonding and surety markets may continue to impact contract competition.

On the oversight of contractor performance, DS agrees with the recommendation to revise bureau-specific procedures by detailing the specific processes that its Contracting Officer's Representatives use to (a) obtain and

verify that supporting documentation submitted with an invoice is accurate and complete and (b) document the invoice review to demonstrate costs and supporting documentation were verified.

On the review of the cooperative agreements awarded by GEC, all OIG recommendations have been resolved. GEC submitted its last response to the OIG on October 21, 2022, and continues to implement the OIG's recommendations.

In response to the OIG's recommendations, A/OPE is working to ensure proper management and oversight of recipient cost sharing requirements. Federal Assistance policy was recently updated to require that personnel conduct expense sampling when appropriate, and A/OPE has returned to pre-COVID training offerings for Grant Officers and Grant Officer's Representatives which include the importance of proper management and oversight, file documentation, and the need to safeguard taxpayer dollars.

Many of the findings surrounding federal assistance centered on file documentation. The Federal Assistance Directive is updated annually and was released on October 3, 2022. The Federal Assistance Directive states that the official award file is contained in the State Department's electronic State Award Management System (SAMS). Recently SAMS conducted a survey regarding post award activities and monitoring tasks. A/OPE and the SAMS team will use those results to assist stakeholders to develop solutions and facilitate compliance. These solutions will be incorporated into the training courses. As mentioned, A/OPE has returned to a pre-COVID training posture and is delivering courses at the Foreign Service Institute, overseas and virtually to identify policies and guidance, as well as specific documentation protocols and requirements for Federal assistance awards.

3 Managing and Securing Information

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 has taken some steps to address these concerns. However, despite the Department's expenditure of substantial resources on

information system security, OIG continues to identify significant issues that put its information at risk.

For example, the FY 2022 audit of the Department's information security program found that the Department did not have a fully developed and implemented information security program based on evidence of security weaknesses identified in eight of nine metric domains (risk management, supply chain risk management, configuration management, identity and access management, data protection and privacy,

security training, information security continuous monitoring, and contingency planning).²⁷

Specific issues related to contingency planning and the performance of Information Systems Security Officer duties were identified in several overseas inspection reports.²⁸ Both issues were also cited in an inspection of the Bureau of Administration, Office of the Executive Director. The report noted that the bureau's Information Technology Services Division had systems with IT contingency plan test due dates that were more than 5 years old and that most of its systems had never been tested.²⁹

Another example of this challenge comes from a recent review of the Bureau of Consular Affairs' ConsularOne Modernization Program. We found that in the 10 years

since the program began in 2011, the responsible office had conducted a very limited pilot of just one component of the program – the customer-facing portion of the electronic Consular Report of Birth Abroad – and had continued to miss deployment dates for other components. Initially launched to modernize and consolidate approximately 90 discrete consular legacy systems into a common technology framework, the program has experienced deficiencies and delays with profound implications for the bureau's three fundamental responsibilities: the issuance of passports and other documentation to citizens and nationals, the protection of U.S. border security and facilitation of legitimate travel to the United States, and ensuring the welfare and protection of U.S. citizens abroad.³⁰

Management Response

Countering adversaries in the cyber realm is one of the Department's highest priorities. The OIG's 2022 audit of the Department's information security program identified security weaknesses that affected program effectiveness and increased the Department's vulnerability to malicious cyber activity and threats. The Bureau of Information Resource Management (IRM) has made progress in improving its cybersecurity posture and meeting regulatory requirements. The number of new Federal Information Security Modernization Act recommendations from OIG has fallen from 25 new recommendations in 2020, to 18 in 2021 and eight in 2022. The Department continues to implement cybersecurity standards set by the Executive Office of the President (Executive Order 14028, National Security Memorandum 08), Office of Management and Budget (M-22-09), and the Cybersecurity and Infrastructure Security Agency to implement zero trust architecture, cyber supply chain risk management, and data encryption protocols across the Department. These efforts also included formation of intra-Department working groups, an enterprise cyber strategy, and a Department-wide cyber governance body.

The OIG also noted continued deficiencies in the performance of Information Systems Security Officer duties. In 2022, IRM collaborated with the Bureau of

Global Talent Management (GTM) to complete an organizational assessment of the Information Systems Security Officer program; IRM is now working to implement that assessment's recommendations.

The Bureau of Consular Affairs (CA) acknowledges prior challenges in fielding modernized capabilities. However, in the intervening time, CA has established, and is now sustaining, new momentum on its modernization program. CA completed the fully paperless implementation of its electronic Consular Report of Birth Abroad system, building on prior customer-experience successes by enabling online adjudication and issuance of Consular Report of Birth Abroad certificates. Following a very successful pilot initiated in July 2022, CA expects to deploy this solution worldwide in early calendar year 2023. In 2022, CA also launched a new consular crisis management capability, revamping the bureau's ability to engage with and assist U.S. citizens in harm's way overseas; CA subsequently decommissioned two aging legacy systems. CA established new analytics and fraud modeling services, is piloting new online appointment scheduling services, and launched a new pilot system enabling U.S. citizens to renew their passports online and CA to adjudicate and issue passports in a paperless manner.

²⁷ AUD-IT-22-45, September 2022.

²⁸ OIG, *Inspection of Embassy Pristina, Kosovo* (ISP-I-22-17, June 2022); ISP-I-22-18, May 2022; ISP-I-22-21, August 2022; ISP-I-22-14, May 2022; ISP-I-22-11, April 2022; ISP-I-22-10, March 2022, ISP-I-22-04, December 2021.

²⁹ ISP-I-22-07, January 2022.

³⁰ OIG, *Review of the Bureau of Consular Affairs' ConsularOne Modernization Program— Significant Deployment Delays Continue* (ISP-I-22-03, November 2021).

4 Managing Finances and Property

Financial management has historically been a challenge for the Department, and, as described below, OIG continued to identify concerns related to this issue in FY 2022. OIG also notes several continued difficulties on the related issue of property management.

Financial Management

In one audit, we reported that selected Department bureaus did not consistently use the general budget object code designations in accordance with requirements when recording expense transactions.³¹ Recording expense data to the appropriate code is essential for management officials to have complete and accurate data for assessing spending patterns. Until deficiencies in the use of the codes are addressed, the Department will not have a full understanding of the specific purpose of its expenses or a method to easily identify how billions of dollars of funds were used.

We also reported deficiencies with the completeness, accuracy, and timeliness of some accounting data that the Department submitted for display on *USASpending.gov*.³² In addition, the auditor could not assess the quality of the data that the Department submitted related to overseas transactions because the Department did not certify those transactions. One reason for the deficiencies identified was a lack of quality assurance.³³

Another report showed that an embassy had \$1.7 million in cancelled foreign assistance funds to the Department of the Treasury from FY 2019 to FY 2021. Of the \$1.7 million, \$788,065 was eligible for reclassification under the International Narcotics and Law Enforcement Affairs (INL) Section's statutory reclassification authority, which would extend the time these funds would be available. Funds eligible for reclassification were returned primarily because the embassy lacked procedures to systematically identify and reclassify INL funds allocated to interagency agreements with the Department of Justice.³⁴

Finally, in an audit of the process to prepare residences for new tenants (i.e., make-ready) at U.S. Embassy Cairo, Egypt, OIG found the embassy was not accounting for costs in accordance with Department requirements. For example, officials incorrectly attributed time for locally employed staff such as welders, truck drivers, and carpenters to post's make-ready costs even though their work does not directly relate to make-ready efforts. In addition, Embassy Cairo did not record the supplies, tools, and equipment used for make-ready projects as part of the post's total make-ready costs. As a result, the reported costs for the embassy are not representative of its actual make-ready costs. Inaccurate budget information will make it challenging for Embassy Cairo officials to meet their daily operational needs because they do not have an accurate picture of the embassy's spending patterns.³⁵

Management Response

The Department continues to review the OIG's recommendations to enhance and improve the Department's financial systems. To address issues identified by the OIG, the Bureau of the Comptroller and Global Financial Services (CGFS) continues to meet with internal and external stakeholders to implement financial system changes. These requirements are analyzed, reviewed, tested, and put into production once it is determined they are compliant with financial management policies. With these improvements, the Department must ensure changes are communicated to financial personnel in

all bureaus and missions, which is being accomplished through targeted training to the field when new systems go live. CGFS understands the need for continual training of our global financial management workforce and has transitioned most of its regular courses to a remote, instructor-led format. After the pause during the COVID-19 pandemic, CGFS will be adding back in-person training in calendar year 2023. Most recent CGFS-led sessions include training on understanding fiscal data, obligations, and risk management, as well as courses related to accounting, vouchering, overseas payroll, cashiering, and travel.

³¹ OIG, *Audit of the Department of State's Use of "Not Otherwise Classified" Budget Object Codes* (AUD-FM-22-21, February 2022).

³² USASpending.gov is a publicly accessible website that provides data on federal awards, including contracts and grants.

³³ OIG, *Audit of the Department of State's Implementation of the Digital Accountability and Transparency Act of 2014* (AUD-FM-22-08, November 2021).

³⁴ ISP-I-22-17, June 2022.

³⁵ OIG, *Audit of the Process to Prepare Residences for New Tenants at U.S. Embassy Cairo, Egypt* (AUD-MERO-22-23, March 2022).

Property Management

The audit of the Department's FY 2021 financial statements continued to identify property management as a significant deficiency. Specifically, the audit identified significant issues with overseas real property, domestic construction projects, leases, personal property, and software. For example, although the Department implemented certain controls to identify acquisitions and disposals related to overseas real property, the controls did not always ensure that all real property transactions were recorded in the proper fiscal year. The untimely processing of property acquisitions and disposals resulted in misstatements in the Department's asset and expense balances.³⁶

The financial statement audit also identified a significant number of personal property transactions from prior years that were not recorded in the correct fiscal year. In addition, the acquisition value for numerous tested items could not be supported or was incorrect and the gains or losses for some personal property disposals were not recorded properly. The Department's internal control structure did not ensure that personal property acquisitions and disposals were recorded in a complete, timely, and accurate manner and monitoring activities were not effective to ensure proper financial reporting for personal property. The errors

resulted in misstatements to the Department's financial statements. The lack of effective control may result in the loss of accountability for asset custodianship, which could lead to undetected theft or waste.³⁷

Another report showed lapses in recordkeeping and appropriate physical security controls contributed to the loss of gifts at the Department. OIG received a referral that the Office of the Chief of Protocol was missing items of a significant value from its gift vault. The missing items were either gifts from, or were to be given as gifts to, foreign governments and dignitaries.³⁸

Lastly, the Department has historically faced issues with properly managing bulk fuel. An information report released this year noted that, from FY 2016 through FY 2020, OIG issued 43 unclassified reports that identified deficiencies in managing the acquisition, storage, distribution, and monitoring of fuel at overseas missions. On a positive note, as of September 2021, OIG found that 147 of 156 recommendations offered had been implemented and closed, and the posts involved had begun corrective actions to address each of the identified deficiencies in the nine remaining open recommendations. In response to a draft of the report, the Under Secretary of State for Management stated the findings and results would be used in applicable training.³⁹

Management Response

The Department appreciates the OIG's careful review of property management financial statements. Regarding the recording of acquisition and disposal of overseas property, OBO continues to work with CGFS and the Department's financial statement auditors to identify gaps and improve the process of recording complex real estate transactions in international markets over multiple fiscal years.

The Department's supply chain is complex and its operating environment expansive. Time lags between a domestic purchase and a date put in service overseas can contribute to the recording delays and errors cited by auditors. In recent years, the Department has made significant strides in addressing the timely reporting of personal property and will continue to implement both process and systems improvements to increase the accuracy of its personal property accounting.

³⁶ OIG, *Independent Auditor's Report on the U.S. Department of State FY 2021 and FY 2020 Financial Statements* (AUD-FM-22-10, November 2021).

³⁷ *Ibid.*

³⁸ OIG, *Management Assistance Report: Office of the Chief of Protocol Gift Vault Access Controls* (ESP-22-01, November 2021).

³⁹ OIG, *Information Report: Systemic Deficiencies Related to the Department of State's Fuel Management from FY 2016 Through FY 2020* (AUD-MERO-22-20, March 2022).

5 Operating in Contingency and Critical Environments

Programs and posts operating in contingency and critical environments must adapt to constant change, pervasive security concerns, dramatic swings in personnel and funding, and widespread reliance on contractors and grantees.

An audit found that from FY 2019 to FY 2022, U.S. Embassy Baghdad, Iraq, encountered unique staffing challenges that affected the embassy's ability to properly manage nonexpendable personal property. Specifically, staffing reductions, security and COVID-19 threats, and multiple ordered departures reduced the number of staff available to complete required annual inventories and conduct inventory spot check. This also had an impact on complete property receipt and disposal procedures and the prompt updating of property records. As a result, Embassy Baghdad cannot have reasonable assurance that nonexpendable property is managed in accordance with federal and Department requirements and is not misplaced, lost, misused, or stolen.⁴⁰

In another audit, OIG identified numerous examples of missing or incomplete documentation for noncompetitive contracts in support of contingency operations in Afghanistan and Iraq. We concluded the Department did not fully adhere to required steps intended to ensure that fair and reasonable prices were paid on noncompetitive contract awards.⁴¹

Finally, given the scope of U.S. government Ukraine response efforts, their strategic significance, and attendant risks, OIG anticipates Department programs and operations in Ukraine will present new challenges. OIG has several ongoing and planned oversight projects related to the Ukraine response that will speak to the operations of affected missions, the effectiveness of humanitarian response efforts, and the quality and extent of security and economic coordination through multilateral organizations, among other areas. In addition, in early FY 2023, OIG plans to share observations from its past work that the Department can apply to its Ukraine response.

Management Response

In some cases, the Department must operate in critical environments, or areas that experience various challenges in the form of conflict, instability, disease, or natural disasters. These pose their own set of problems and contribute to existing challenges. As in previous years, the Department faced significant challenges operating in contingency and critical environments in 2022.

Managing property is complicated in the best of times and more so in contingency environments and with reduced personnel. U.S. Embassy Baghdad, Iraq accepted the OIG's recommendations in response to the September 2022 audit on nonexpendable personal property. They are seeking to close five of the 12 recommendations for which it is responsible in large part by providing updated standard operating procedures to address topics such as the following: conducting spot checks, general property management operations, and expendables order management.

Contracts in contingency and critical environments are also difficult. In response to the October 2021 review of Noncompetitive Contracts in Support of Overseas Contingency Operations in Afghanistan and Iraq where the OIG identified examples of missing or incomplete documentation for noncompetitive contracts in support of contingency operations, A/OPE has developed and implemented an action plan that ensures compliance with the Federal Acquisition Regulation and Department policy. Further, the action plan will drive better outcomes and improvement across the Department's procurement portfolio, to include contracts in support of overseas contingency operations. A/OPE also committed to designing and implementing solutions to better standardize and streamline contract administration activities including the justifications and approvals process. A/OPE actions will further address oversight issues by executing a feasibility analysis, creating an online application for justifications and approvals, and rolling out an initiative to standardize the

⁴⁰ OIG, *Audit of Nonexpendable Personal Property at U.S. Embassy Baghdad, Iraq* (AUD-MERO-22-44, September 2022).

⁴¹ OIG, *Audit of Noncompetitive Contracts in Support of Overseas Contingency Operations in Afghanistan and Iraq* (AUD-MERO-22-03, October 2021).

formats for price negotiation memorandum and e-file contract checklists. Lastly, A/OPE released Senior Procurement Executive Memorandum 22-11 *Document Review and Approval Requirements* to provide an updated internal document review and approval thresholds that are multi-layered, holding

leadership accountable for executing quality contract documents, including price negotiation memoranda, and ensuring those documents are placed in the contract file. The Department looks forward to receiving the OIG's recommendations for programs and operations in Ukraine.

6 Managing the Workforce

The Department expends substantial resources on recruiting, training, and retaining a diverse, talented workforce capable of carrying out the Department's foreign policy mission and priorities. However, OIG's work finds that staffing gaps, frequent turnover, poor oversight, and inexperienced and undertrained staff frequently contribute to the Department's other management challenges.

For example, managers in the Bureau of East Asian and Pacific Affairs told OIG that the following issues hindered some office operations: U.S. direct-hire staffing constraints, a large number of temporary staff and the associated turnover of these staff after 1-year assignments, and an increasing workload. Managers told OIG these issues led to a lack of institutional memory and subject matter expertise, reactive operations, an inability to properly monitor foreign assistance, and difficulty managing the workload while maintaining a work-life balance.⁴²

The lack of appropriate training was another aspect of this challenge, detailed in multiple reports.⁴³ For example, one embassy did not conduct required safety, health, and environmental management training.⁴⁴

Another embassy failed to provide a locally employed staff training program⁴⁵ and two posts failed to provide training related to the operation and maintenance of heavy machinery.⁴⁶ This issue of training often underlies the contract and grant oversight deficiencies highlighted previously. For example, one inspection found that the embassy's COR program did not comply with Department standards in that, at the time of the inspection, the embassy had five CORs who oversaw six contracts worth approximately \$6 million and none of them had completed mandatory training.⁴⁷

In response to a whistleblower complaint, we reviewed allegations of nepotism and favoritism in the contract award process for public member positions on Department Foreign Service Selection Boards. We found that less than half of the public members who served on boards from 2019 through 2021 were fully qualified per Department policy and that family members and personal friends of Department employees received public member contracts to serve on the boards. Among other causes, we concluded that the public member recruitment and selection process lacked adequate management oversight to minimize the risk of favoritism.⁴⁸

⁴² ISP-I-22-06, December 2021.

⁴³ OIG, *Audit of Internal Controls Managing the Procurement of Goods at U.S. Embassy Freetown, Sierra Leone* (AUD-MERO-22-31, July 2022); ISP-I-22-23, July 2022; ISP-I-22-14, May 2022; ISP-I-22-10, March 2022; ISP-I-22-09, February 2022; ISP-I-22-04, December 2021; ISP-I-22-02, October 2022.

⁴⁴ ISP-I-22-02, October 2021.

⁴⁵ ISP-I-22-09, February 2022.

⁴⁶ ISP-I-22-23, July 2022; ISP-I-22-14, May 2022.

⁴⁷ ISP-I-22-10, March 2022.

⁴⁸ ESP-22-02, May 2022.

Management Response

The Department values its employees and understands they are its greatest asset. GTM conducts numerous organizational assessments each year which address many of the management challenges the OIG identifies in this report. Some of these organizational assessments are OIG-mandated, while others are initiated by bureaus. The findings and recommendations that GTM's organizational assessment reports provide to bureaus are designed to reduce staffing gaps, frequent turnover, poor oversight, and inexperienced and undertrained staff. Despite these efforts, frequent staffing gaps due to the lack of a Foreign Service "training float," the length of time to hire Civil Service staff, resource prioritization, and caps on Civil and Foreign Service hiring all contribute to the management challenges identified by the OIG. GTM is working to find solutions to increase retention, employee development, and upward mobility, including through the organizational assessment process. GTM recently completed an organizational redesign within the Bureau of East Asian and Pacific Affairs to support the proposed China House initiative.

The Department constantly seeks to improve its training and requirements, particularly as it relates to the safety and health of its staff. As the OIG recommended in its report, *Inspection of the Bureau of Overseas Buildings Operations (OBO) Office of Safety, Health, and Environmental Management*, OBO strengthened its safety and health training requirements and policy in the Department's Foreign Affairs Manual. OBO also increased outreach

by developing and implementing a formalized training program clearly incorporating objectives and materials for safety orientation and job-specific training for employees at overseas posts. In addition, in May 2022, OBO launched its Safety and Health Training Matrix, a website for all Department staff that lists required training for jobs and tasks with a link to the actual training program, allowing employees worldwide to understand training compliance with a few simple clicks.

In response to a May 2022 OIG review of the recruitment and selection of public members, GTM's Office of Performance Evaluation immediately closed all but two of the OIG recommendations and is in the process of closing the remaining two by the end of calendar year 2022. Additionally, GTM's Office of Performance Evaluation has put in place stronger internal controls and completely revamped the public member hiring process for the 2022 selection boards. GTM has updated the FAM and standard operating procedures and put in place a stronger recusal policy to ensure due diligence and provide fulsome oversight. The A/OPE worked with GTM to redefine acquisition strategies for the solicitation and award of future Foreign Service Selection Board requirements. The acquisition strategy outlined in response to the audit ensures compliance with the Federal Acquisition Regulation.

7 Promoting Accountability Through Internal Coordination and Clear Lines of Authority

Ineffective patterns of communication and coordination between divisions and branches was a problem that was first identified in a 2016 inspection of the Bureau of Consular Affairs' ConsularOne Modernization Program. While the Department acknowledges that clear lines of authority are necessary for ensuring that decision-makers are held accountable and foreign policy goals are met, OIG identified this problem again this year. Challenges in this area led to misunderstandings among staff and contractors concerning office priorities, eroded trust between divisions, and reduced operational effectiveness. In our review this year, leadership responsible for the program was unable to provide a clear,

uniform definition of the ConsularOne program, what components it included, and which contracts supported the program, creating confusion for stakeholders. The lack of clarity on what constitutes the ConsularOne program hindered leadership's oversight of the modernization effort and the ability to hold staff accountable for their performance.⁴⁹

In a similar example of this challenge, OIG inspected the operations of the Diplomatic Courier Service in DS and reviewed its information management operations, which predominantly centered on the Classified Pouch Modernization Effort (CPME), a multi-year, multimillion-dollar project to modernize business processes with new technology to increase efficiency and accountability. OIG determined that information systems security was not fully integrated into the CPME initiative because the Bureau of

⁴⁹ ISP-I-22-03, November 2021.

Administration and DS did not agree on which bureau should be responsible for information systems security of CPME applications.⁵⁰

Lastly, we found the delineation of authorities between the Chief of Mission to the Dutch Caribbean and the Chief of

Mission to the Netherlands was not clear and could impede their ability to meet Chief of Mission responsibilities. A lack of clarity between the authorities of the chiefs of mission in such situations could delay a U.S. government response to a crisis in the region and presents a potential risk to U.S. citizens and interests.⁵¹

Management Response

The Department acknowledges that clear lines of authority are necessary to accomplish our foreign policy goals. A large organization with diverse missions requires a great deal of coordination. CA has instituted several changes to implement leadership and staff accountability improvements in support of its system modernization efforts, enabling OIG to close a specific recommendation relevant to accountability improvements. CA acknowledges a need to define the scope of consular systems modernization more clearly, and to consistently and repeatably identify modernization work efforts and associated costs to assess value and return on investment more readily. CA has established a new definition and revised guidance for identifying modernized components, which is currently in clearance and anticipated to be provided to OIG in CA's next quarterly update.

On the Inspection of the Diplomatic Courier Service, DS created a CPME SharePoint site to act as a central repository for project documentation on the Department network. The transfer of CPME project documentation has been uploaded to the central repository and is complete. The appropriate individuals including Bureau of Administration staff and contract company personnel have access.

On the question of coordination between posts in the Dutch Caribbean and the Netherlands, the Bureau of Western Hemisphere Affairs and the Bureau of European and Eurasian Affairs are working through the issues identified by the OIG and will provide formal guidance to posts once completed.



**HELP FIGHT
FRAUD, WASTE, AND ABUSE**
1-800-409-9926
stateOIG.gov/HOTLINE

If you fear reprisal, contact the
OIG Whistleblower Coordinator
to learn more about your rights.

WPEAOmbuds@stateoig.gov

⁵⁰ OIG, *Inspection of the Bureau of Diplomatic Security's Diplomatic Courier Service* (ISP-I-22-13, May 2022).

⁵¹ ISP-I-22-04, December 2021.

Bureau of Cyberspace and Digital Policy: 5G and Digital Connectivity and Cybersecurity Partnership



Secretary Blinken and Deputy Secretary Wendy Sherman pose for a photo with Jennifer Bachus, Senior Bureau Official and Principal Deputy Assistant Secretary for the Cyberspace and Digital Policy Bureau, and other members of the new Cyberspace and Digital Policy Bureau in Washington, D.C., April 4, 2022. *Department of State*

In April 2022, the State Department launched the Bureau of Cyberspace and Digital Policy (CDP), bringing together the Department's work focused on digital economic policy, cyberspace security policy, and digital freedom. The CDP is a key piece of Secretary Blinken's plans to build a State Department ready to meet the tests of the 21st Century and was established as part of the Secretary's agenda to Modernize American Diplomacy. The plans for the bureau were informed by an extensive review process that used an evidence-based approach to examine the policy objectives for the issues and the existing structure and capacity, including by conducting wide ranging consultations within the State Department and with members of Congress, U.S. Government agencies, and outside experts.

CDP leads State's engagement on fifth generation (5G) wireless networks and works with posts worldwide to understand the 5G landscape globally and by country. This is accomplished in part through a 5G security survey which asks posts to report semi-annually on the status of their host country's wireless network infrastructure, pertinent legislation and regulations, and any bilateral initiatives to cooperate on 5G and telecommunications supply chain security. The Office of Management Strategy and

Solutions' Center for Analytics plays a key role in analyzing the survey data and providing visualizations through a 5G security scorecard. The 5G scorecard's visualizations and insights enable State Department officials to be prepared when they meet with foreign interlocutors about 5G and telecommunications policy topics.

Separately, CDP worked with a contract partner to create an interactive digital visualization tool to track U.S. Government-funded information and communications technology and cybersecurity projects around the world. Launched in 2018, the Digital Connectivity and Cybersecurity Partnership (DCCP) is a whole-of-government initiative created to coordinate information and communication technology and cybersecurity assistance. The visualization tool, known as the DCCP dashboard, presents clear, dynamic visuals, including maps and charts that can be filtered by categories such as agency, mechanism, region, funding amount and fiscal year, and DCCP pillar number. The DCCP dashboard gives its users across the U.S. Government a common view of how the U.S. Government is using U.S. funding to achieve its objectives on information and communication technologies and cybersecurity.

Air Quality Data to Protect Personnel Health and Improve Local Conditions



The Bureau of South and Central Asian Affairs Assistant Secretary Ambassador Donald Lu with the air quality monitor in Bishkek.
Department of State

Air pollution is a significant issue at many overseas locations, affecting the health and safety of U.S. personnel, family members, American travelers, and local populations. The Department's air quality monitoring program hosts reference-grade air quality monitors at more than 70 U.S. embassies and consulates around the world, providing real-time, high-quality data for anyone in the vicinity of a monitor to make informed decisions and mitigate exposure to air pollution. In many of these locations, the program is the only source of high-quality data readily available in the city or country.

Ensuring this information is open and easily accessible is a priority for the Department. Data are shared globally through the Environmental Protection Agency's AirNow website and the Department's ZephAir mobile application. The app has more than 22,000 global downloads and

alerts users when the Air Quality Index category changes in their location. It also provides guidance on how to protect against exposure to air pollution.

To support data analysis and information sharing with post personnel and external partners, more than 40 U.S.-based air quality experts volunteer as virtual air quality fellows. This effort not only enhances knowledge sharing among Department personnel, but also with host country governments and civil society.

While the Department has significantly increased the availability of air quality data around the world, there still are many vulnerable embassies and consulates without access to real-time data. Through a study with NASA, the Department is working to fill the gap by using machine learning to make air quality forecasts at more than 270 locations around the world.

Payment Integrity Information Act Reporting

Over the past decade, laws and regulations governing the identification and recovery of improper payments have evolved to strengthen improvements in payment accuracy and raise public confidence in Federal programs. The Improper Payments Information Act of 2002 (IPIA), as amended and expanded by other related laws, collectively required agencies to periodically review all programs and activities to identify those susceptible to significant improper payments, to conduct payment recapture audits, and to leverage Government-wide Do Not Pay initiatives. The IPIA regulations also required extensive reporting requirements. In recent years, OMB transformed the improper payment compliance framework to create a more unified, comprehensive, and less burdensome set of requirements. IPIA was repealed and replaced by the Payment Integrity Information Act of 2019 (PIIA), which was passed on March 2, 2020. The PIIA modified and restructured existing improper payments laws to help agencies better identify and reduce any money wasted as a result of improper government payments. Not all improper payments are fraud, and not all improper payments represent a loss to the government. Generally, an improper payment is any payment that should not have been made or that was made in an incorrect amount under a statutory, contractual, and administrative or other legally applicable requirement.

The Department defines its programs and activities in alignment with the manner of funding received through appropriations, as further subdivided into funding for operations carried out around the world. Risk assessments over all programs are done every three years. In the interim years, risk assessments evaluating programs that experience any significant legislative changes and/or significant increase in funding will be done to determine if the Department continues to be at low risk for making significant improper payments at or above the threshold levels set by OMB. The Department conducted a risk assessment of all programs and activities in 2022, including the following programs: 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 and Consular, Terrorism related; Consular and Border Security Programs; Consular Information Technology and Security; Capital and Real Property Acquisitions Programs; Leaseholds and Functional Programs; Diplomatic and Consular, Other Programs; Overseas Programs; Worldwide Security Protection; International Security and Nonproliferation Programs; Security - Afghanistan, Pakistan; Physical Security Programs; Information Technology Central Fund; Embassy Operations; Construction; Project Construction - Major Rehabilitation; International Security Programs; Population Refugees and Migration Programs; International Cooperative Administrative Support Services; Working Capital Fund Programs; Western Hemisphere Travel Initiative; Fulbright Program; Citizen Exchange Program; Educational Programs; Aviation, Anticrime, Interdiction and Related Programs; and Peace-Keeping Operations Programs. After performing risk assessments for these programs, the Department determined that none of its programs in 2022 were risk-susceptible for making significant improper payments at or above the threshold levels set by OMB.

Annually, the Department submits data to OMB that is collected and presented on <https://paymentaccuracy.gov/> by individual agency or on a Government-wide consolidated basis. This website contains current and historical information about improper payments made under Federal programs, as well as extensive information about how improper payments are defined and tracked. Please refer to the <https://paymentaccuracy.gov/> website for detailed results from the Department's efforts in 2022 to comply with PIIA.

Grants Programs

The Department understands the importance of timely closeout of grants and cooperative agreements to promote the financial accountability of grants programs. The Department continues to strengthen enforcement of the closeout requirements across domestic bureaus and overseas posts. Use of a standardized Federal assistance management system (State Assistance Management System (SAMS)), coupled with updates to Department Federal assistance policies, has enabled the Department to better monitor, analyze, and report on the closeout of awards.

However, the Department still faces challenges in efficiently closing awards in a timely manner. While data passes electronically between SAMS, the Department's financial systems, and the Health and Human Services Payment Management System (PMS), some critical closeout tasks remain a manual process in the payment system. The manual steps required to reconcile differences between systems can be labor-intensive, especially in PMS, and the Department has taken numerous steps to mitigate and resolve these issues. SAMS requires the use of a standardized

closeout checklist and offers reporting capabilities to help identify awards awaiting closeout. Additionally, the Department utilizes the Department of the Interior to negotiate indirect cost rates, which facilitates timelier award closeout. The Department's publication of a Federal assistance Human Capital Plan has resulted in increased training and guidance on Federal assistance management, including closeout requirements and procedures.

In April 2022, the Data Universal Numbering System Number was replaced by the Unique Entity Identifier in the System for Award Management (SAM.gov). The Department provided exceptional customer service to ensure that there was minimal interruption to the processing of Federal assistance awards in its financial management system.

The "Expired Federal Grants and Cooperative Agreements Summary" table shows 1,239 awards totaling \$43,054,577 for which closeout has not yet occurred, but for which the period of performance has elapsed by two years or more prior to September 30, 2022.

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	283	101	140
Number of Grants/Cooperative Agreements with Undisbursed Balances	536	118	61
Total Amount of Undisbursed Balances	\$ 36,837,934	\$ 3,607,779	\$ 2,608,864

Climate-Related Financial Risk

The Department releases its Climate Adaptation and Resilience Plan (CARP) annually. Under this plan, the Department has three overarching climate adaptation and resilience goals: (1) protect the health and safety of personnel; (2) adapt Department facilities, operations, and mission-critical services to be more resilient to the impacts of climate change; and (3) lead by example through showcasing climate adaptation and resilience solutions.

The CARP identifies five priority areas for action to meet these overarching goals: (1) enabling mobility in the workforce; (2) incorporating climate hazards into emergency planning and training; (3) building programs to support climate-ready sites and facilities; (4) evaluating climate risks in supply chain and procurement; and (5) improving local infrastructure through host country engagement. The Department continues to equip its workforce with technology to enable mobility, adjust office spaces to be more hybrid oriented, and has been expanding workforce flexibilities and telework policies. The Department conducted a review of overseas Emergency Action Plans to identify missing climate risks, develop training for managing acute air pollution and severe storms, and completed an initial overseas portfolio baseline screening to identify facilities that are at-risk to natural hazards. Under priority 4, the Department leveraged the General Service Administration's Supply Chain Climate Risk Management Framework to review food, electricity, fuel, medical supplies, IT equipment, and construction material supply chains. While fuel and IT equipment were identified as the most vulnerable, work remains to be done as many goods are procured at the local level and not via central or regional contracts. The Department's Bureau of Administration, Office of the Procurement Executive (A/OPE) is considering creation of vehicles to address this concern. Further, A/OPE is conducting analytics on centralizing spending to consolidate purchases for climate resilience, especially as they relate to overseas operations. The Department continues to play a support role for the White House Council on Environmental Quality on the Greening Government Initiative, which convenes nearly 50 countries quarterly to share best practices. The Department is also a member of the network of Sustainable Foreign Ministries to learn from and work



Secretary Blinken hosts a town hall with Young Southeast Asian Leaders Initiative Alumni on Environmental Responsibility in Phnom Penh, Cambodia, August 4, 2022. *Department of State*

with other diplomatic institutions on climate and sustainability. The 2021 CARP and 2022 update can be found at <https://www.state.gov/office-of-management-strategy-and-solutions/reports-and-scorecards/>.

The Department spent a total of \$658.3 million in 2021 for climate change programming to reduce the Federal Government's exposure to climate related financial risks. Related expenditures included preparedness for extreme weather events; efforts to reduce risks from sea level rise, such as investments in modeling, levees, or natural barriers; flood mitigation, flood communication, and flood mapping activities; maintenance and repairs to Federal facilities that aim to reduce future risks from climate change; investments in Federally managed land, infrastructure, and waterways that reduce future climate risks; climate-smart agriculture practices; response, safety, and preparedness efforts around extreme heat; expenditures that improve energy efficiency and the capability of future climate-related risks; tools used to assess exposure to future climate risks; and incentives for nature-based solutions to climate risks.

The Bureau of Budget and Planning managed the Diplomatic Engagement portion of the 2021 budget expenditures for climate change and climate-related financial risk (\$39.3 million of the total). Of the

Diplomatic Engagement total, funding was expended on projects to improve energy efficiency and resilience, such as the installation of on-site renewable energy storage systems, for maintenance and repairs to Department facilities, for tools to analyze potential for future climate risks, and for travel, salary, and operational costs.

The Office of Foreign Assistance managed the Foreign Assistance portion of the 2021 budget allocations for climate change programming globally, which supports multi-, pluri-, and bi-lateral country and regional programs to mitigate and adapt to the effects of climate change, including bolstering host-country resilience and capacity. In 2021, we allocated \$619.0 million in Foreign Assistance toward climate programming, which has a period of availability of two-years and expends over five years.

Governance, Strategy, Risk Management, and Metrics Information

The Department's Chief Sustainability Officer oversees climate-related risks and opportunities. The Deputy Chief Sustainability Officer leads the coordination of Department sustainability and climate adaptation and resilience activities via the Climate and Sustainability Working Group and through coordinating agency reports. The Deputy Chief Sustainability Officer team is situated in the Office of Management Strategy and Solutions. The climate risk to our overseas facilities portfolio is led by the Climate Security & Resilience (CS&R) program office in the Bureau of Overseas Buildings Operations (OBO). CS&R has been assessing exposure, vulnerability, and risks at a portfolio level for facilities using natural hazards data and analysis to inform climate adaptations for infrastructure. CS&R has also begun exploring uses of natural hazards data with the Bureau of Diplomatic Security's Emergency Planning office and the Foreign Service Institute to guide training and Emergency Action Plans. The Bureau of Administration assesses risks for supply chains and domestic facilities. Climate opportunities are assessed and implemented by a wide variety of bureaus and offices.

Climate risks include immediate and long-term impacts of severe weather, worsening air quality, sea level rise, drought, and other hazards on Department supply chains, facilities, and personnel. Embassies and domestic facilities are already seeing the impacts of climate change, with resultant disruption to operations and mitigation costs – which to date have included everything from drilling bore holes for more water to ensuring that personnel have real-time air quality data to help them better protect their health.

The Department is working to adjust its financial processes to incorporate climate risks and opportunities into its

prioritization of resource decisions. Currently, climate risks are not considered in a systematic way in organizational strategies such as global presence and resourcing. Efforts are underway to improve this: Starting in the 2023 budget process, the Department has advised bureaus to highlight sustainability and climate in their budget requests. Climate is the focus of Objective 1.2 of the FY 2022-2026 State-USAID Joint Strategic Plan (JSP), to which bureaus and missions align their annual resource requests and link their own strategic objectives. Many bureaus – including the Bureau of Overseas Buildings Operations, the Bureau for Western Hemisphere Affairs, and the Bureau of Population, Refugees, and Migration – address climate in their bureau strategic goals and/or objectives based on higher level guidance from the JSP and White House. The Department has recently released a new risk policy and is updating its global presence strategy, and climate is included in each.

The transition to a lower-carbon economy has many benefits for Department operations. An example is that diesel generators are used as a back-up energy source for residences and facilities overseas. These generators are noisy, costly to run, contribute to air pollution, and require fuel supply. Deploying battery and solar arrays can reduce the use of diesel generators, while at the same time reducing reputational risk from the Department running lights during a blackout, improving air quality, reducing or containing fuel costs, and showcasing climate solutions. At the same time, the Department's expansive global presence means that there may not be local suppliers or mechanics, resulting in increased installation and maintenance costs and risks. A lack of dedicated funding and staff for climate and sustainability means that the Department will be slow to take advantage of these opportunities, despite where a clear return on investment exists, or may pay more to deploy these technologies due to a lack of in-house capability.

The Department uses the Climate Resilience sub-working group of the Climate and Sustainability Working Group as the platform for bureaus to share identification, assessment, and mitigation efforts for climate risks. Members of the working group include key management and regional bureaus.

For overseas facilities, OBO identifies risks using a portfolio screening tool they developed that projects risk levels for seven natural hazards. They use this tool to identify where deeper analysis is needed. They also use the tool to contribute to new site selection and acquisition decisions.

For domestic facilities, the Department's Bureau of Administration, through its Real Property Asset Management program, is developing Strategic Asset Management Plans which assess properties on a cyclical basis for climate risks. During the Strategic Asset Management Plan evaluation, each facility is evaluated for a multitude of risks including climate, life/safety, and efficiency using a risk level identifier. These identifiers allow for prioritization of critical risks and the preparation of project assessments to support budgetary requests. In 2022, the Department funded three Strategic Asset Management Plans, which are due to deliver in December 2022. Three are planned for funding in 2023, and three each year subsequent, pending funding.

For global supply chains, A/OPE has completed a supply chain assessment for climate risks. A/OPE leveraged the General Services Administration (GSA) framework to evaluate climate-related risks posed to several mission-critical supply chains, including 1) local supplies such as food, fuel, and water; 2) IT equipment largely sourced from East Asia; 3) medical supplies; and 4) construction materials. Using the framework categories to weight climate-related risks in each category, A/OPE discovered that IT equipment and construction materials faced the great risk of disruption due to climate impacts. A/OPE is coordinating with a range of internal and interagency stakeholders to determine next steps in procuring climate resilient products and services. To gain better understanding and ensure overseas procurement behaviors are focused on ensuring climate resilience, A/OPE is using spend analytics and demand forecasting. Further, A/OPE continues industry engagement to verify that climate resilient products and services are not only offered to the Department, but also prioritized in product catalogs which generally used by overseas operations as the principal source in completing their respective missions.

In support of the Secretary's Modernization Agenda, the Office of Management Strategy and Solutions is leading several work streams in the 'shift culture to decisive lead' pillar. One of these efforts is to create a risk register and process to provide leaders with an understanding of the Department's risk exposure; identify top "enterprise-level risks" – to include climate risks – and mitigation. Eventually, this risk register work stream will be presented to the Enterprise Governance Board as part of larger efforts to shift the Department's culture of risk and to better support Department employees in smart risk management. The Enterprise Governance Board serves as the Department's enterprise risk management council which is chaired by the Deputy Secretary and consists of all Under Secretaries.

The Department's metrics for assessing climate risks and opportunities contain several portfolio tools and then more ad-hoc ones.

The Department recognized combatting Climate Change as one of its top priorities in the FY 2022-2026 JSP and created the "Climate Change" Agency Priority Goal for FY 2022-2024 to increase attention, resources, and reporting dedicated to climate change mitigation, adaptation, and reporting. The Department publishes quarterly APG results on *performance.gov*.

The Department's major source of metrics for climate risks is the OBO Climate Hazards Dashboard, which scores overseas facilities' exposure for seven natural hazards, which can be used for portfolio risk screening. The metrics include percent of overseas facilities screened, number of facilities where risk is identified and a full assessment has been completed, number of consultations on site acquisition and planning, and number of Mission Emergency Action Plans contain planning for projected climate risks. An additional tool is the Greening Diplomacy Initiative Sustainability Survey, which asks about experienced climate impacts on facilities, and the Greening Diplomacy Initiative and OBO Resilience Innovation Grant, which enables diplomatic posts to submit opportunities for climate risk mitigation for funding. Another important metric under development is the number of training exercises available for embassies and consulates on relevant acute climate risk scenarios.

Additional metrics with connection to the agency Sustainability Plan and connected plans under development, such as the Carbon Free Electricity Strategic Plan, include:

- Number of employees who have taken climate training (not currently available);
- Number of energy conservation measures completed;
- Number of diplomatic posts and facilities compliant with energy cost and consumption data submission requirements;
- Number of facilities with smart meters and air quality monitors; and
- Number of on-site solar and battery projects completed.

For the most part, the Department has prioritized focusing on non-residential properties to date given limited bandwidth. Additional activities are detailed in the agency Sustainability Plan, which is internal, per White House instructions, but can be shared upon request.

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 for such infractions as violating the terms of munitions licenses, exporting unauthorized defense

articles and services, and valuation of manufacturing license agreements. In 2022, the Department assessed \$0.8 million in penalties against one company, and collected \$8.2 million of outstanding penalties from six companies. The balance outstanding as of September 30, 2022, was \$4.8 million. The “Federal Civil Penalties Inflation Adjustments” table list the current penalty level for infractions governed by the Department.

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	2022	\$1,272,251	87 FR 1072-1074 (January 10, 2022)
Arms Export Control Act of 1976, 22 U.S.C. 2779a	International Traffic in Arms Regulations Violations – Prohibition on Incentive Payments	1994	2022	\$925,041	87 FR 1072-1074 (January 10, 2022)
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	2022	\$1,101,061	87 FR 1072-1074 (January 10, 2022)
False Claims Act of 1986, 31 U.S.C. 3729-3733	Penalty Imposed on Persons and Companies Who Defraud Governmental Programs	1986	2022	\$12,537 – \$376,138	87 FR 1072-1074 (January 10, 2022)
Chemical Weapons Convention Act of 1998, 22 U.S.C. 6761(a)(1)(A)	Prohibited Acts Relating to Inspections	1998	2022	\$42,163	87 FR 1072-1074 (January 10, 2022)
Chemical Weapons Convention Act of 1998, 22 U.S.C. 6761(a)(1)(B)	Recordkeeping Violations	1998	2022	\$8,433	87 FR 1072-1074 (January 10, 2022)
31 U.S.C. 1352 – Limitation on use of appropriated funds	Penalties for Both Improper Expenditures and Failure to Disclose. First Time Offenders	1989	2022	\$21,665	87 FR 1072-1074 (January 10, 2022)
31 U.S.C. 1352 – Limitation on use of appropriated funds	Penalties for Both Improper Expenditures and Failure to Disclose. Other Offenders	1989	2022	\$22,021 – \$220,213	87 FR 1072-1074 (January 10, 2022)

Resource Management Systems Summary

The financial activities of the Department occur in approximately 270 locations in 180 countries. We conduct business transactions in over 135 currencies and even more languages and cultures. Hundreds of financial and management professionals around the globe allocate, disburse, and account for billions of dollars in annual appropriations, revenues, and assets. The Department is at the forefront of Federal Government efforts to achieve cost savings by engaging in shared services. Indeed, the Department's financial management customers include 45 U.S. Government agencies in every corner of the world, served 24 hours a day, seven days a week. Another illustration of the Department's commitment to shared services is its hosting at its Charleston, South Carolina financial center of USAID's core financial system. This system, known as Phoenix, makes use of the same commercial off-the-shelf (COTS) software as the Department's core system, thereby promoting smooth interaction between the two agencies.

The Department's financial management efforts are guided by three overarching goals: delivering world-class financial services and systems to our customers effectively and efficiently; establishing and administering an accountable, transparent, and prudent rigorous internal control, compliance, and financial reporting environment; and facilitating interagency coordination and liaison activities that support Department operations.

Continued standardization and consolidation of financial activities and leveraging investments in financial systems to improve our financial business processes will lead to greater efficiencies and effectiveness. This change is not always easy with the decentralized post-level financial services model that exists for the Department's worldwide operations. In addition, over the next several years, we will need to leverage upgrades in our core financial system software, locally employed (LE) staff and American payroll time and attendance (T&A) deployments, and integration with other Department corporate systems to improve our processes in ways that better support financial operations. Besides seeking greater linkages within our systems, we also are seeking additional opportunities to improve our shared service efficiencies in ways that help us serve our customer agencies and lower overall costs to the U.S. Government.

We have made significant progress in modernizing and consolidating Department resource management systems. In response to cybersecurity concerns, our development efforts in all lines of business increasingly emphasize the need to reduce vulnerabilities within systems and be mindful of potential threats to unauthorized access and to the integrity of data within our systems. This focus seeks to protect both the Department and its employees. The Department's Bureau of the Comptroller and Global Financial Services' (CGFS) financial systems development activities continue to be operated under Capability Maturity Model Integration (CMMI) industry standards. The Department maintains a CMMI level 2 rating for CGFS financial systems. CMMI allows the Department to emphasize the prioritization, organization, and planning of resources while focusing attention on the most critical financial systems issues facing the Department.

We continue to make use of proven COTS software in delivering resource management systems to the Department and our serviced customers. We have pushed to consolidate these systems to the CGFS platform with the goals of meeting user requirements, sharing a common platform and architecture, reflecting rationalized standard business processes, and ensuring secure and compliant systems. A COTS solution is the platform for our Global Foreign Affairs Compensation Systems (GFACS). By managing the process in this manner, we can deliver products that are compliant, controlled, and secure. OMB continues its initiative to standardize Government-wide business processes to address the Federal Government's long-term need to improve financial management. Also, over the next several years, several new Federal accounting and information technology standards, many driven by the Department of the Treasury (Treasury), will become effective. These include Government-wide projects to standardize business requirements and processes, establish and implement a Government-wide accounting classification, implement a new Government-wide system (G-Invoicing) for processing intragovernmental buy/sell transactions, and support the replacement of financial statement and budgetary reporting. The Department's implementation

of new standards and Government-wide reporting will strengthen both our financial and information technology management practices. The Department uses financial management systems that are critical to effective agency-wide financial management, financial reporting, and financial control. These systems are included in various programs. An overview of these programs follows.

Financial Systems Program

The financial systems program includes the Global Financial Management System (GFMS), the Regional Financial Management System (RFMS), RFMS Overseas Acquisition Integration, and the Consolidated Overseas Accountability Support Toolbox (COAST).

The Global Financial Management System. GFMS centrally accounts for billions of dollars recorded through over 8 million transactions annually. GFMS has over 2,700 users and over 25 “handshakes” with other internal and external systems. GFMS is critical to the Department’s day-to-day operations. It supports the execution of the Department’s mission by effectively accounting for business activities and recording the associated financial information, including obligations and costs, receivables, interagency agreements, and other data. GFMS supports the Department’s domestic offices and serves as the agency’s repository of corporate data. In 2022, GFMS and RFMS/Momentum (RFMS/M) were simultaneously upgraded to the same Momentum COTS software version, 7.9. This is the first time we have ever attempted to upgrade both systems concurrently. This required significant effort and collaboration between our systems and support teams in Washington, D.C., Charleston, and Bangkok. The upgrade was extremely successful and resulted in GFMS and RFMS/M being on the same version of the software for the first time. This is a foundational step in an ongoing effort to update the financial systems on a regular basis and will enable further consolidation and standardization. This will provide better performing software for the worldwide user base.

The domestic implementation of the Invoice Processing Platform (IPP) is complete. In 2022, the Department completed the roll out of IPP to include Serviced Elsewhere Orders (domestically sourced procurements which contains some overseas funding). Over 98,000 vendor payments were made during the fiscal year and over 134,000 orders are recorded in IPP. The Department has over 1,300 active users. The Department continues efforts to improve methods to track Interagency Agreements. The focus of the Interagency Agreement analysis in 2022 was to the facilitate adoption of the Government-wide Government-Invoicing (G-Invoicing) platform. G-Invoicing provides a

Did You Know?

Hillary Rodham Clinton was the 67th Secretary of State. Secretary Clinton joined the State Department after nearly four decades in public service as an advocate, attorney, First Lady, and Senator.



More information on former Secretaries can be found at: <https://history.state.gov/departmenthistory/people/secretaries>

method for Federal agencies to create, review, and approve Interagency Agreement transactions. A Treasury mandate for 2023 requires that Federal entities use G-Invoicing for new Orders. To facilitate efforts to meet this mandate, the Department determined requisite configuration in GFMS, performed User Acceptance testing, performed testing with other agencies, and provided training with bureaus. The Department successfully met Treasury’s deadline at the end of 2022.

The Regional Financial Management System. RFMS is the global accounting and payment system that has been implemented for posts around the world. RFMS consists of three discrete but integrated systems – RFMS/M which is the core COTS Momentum system, RFMS/D which is the Department’s custom disbursing system to execute our delegated disbursing authorities overseas for payments in foreign currencies, and RFMS/C which is a fully integrated custom cashiering system for use at our missions around the world. RFMS/M was updated to version 7.9 in conjunction with GFMS. Having both systems on the same version allows for efficiencies in supporting users, developing enhancements, and maintaining the software. The Department developed and refined an interface with the eInvoicing voucher approval system – a component of the Integrated Logistics Management System (ILMS). Posts enter and approve vouchers in eInvoicing. The vouchers are automatically sent to RFMS/M for payment. This saves time and improves data integrity between the systems by eliminating duplicate entry. eInvoicing users can access real time vendor information and obligation balances via query services from RFMS/M. In 2022, 61,025 vouchers integrated from eInvoicing to RFMS resulting in an estimated 10,000 hours in time savings. Currently, 82 posts are using the interface. It will be rolled out to the remaining posts in 2023. To improve the accuracy of the Department’s residential and operational leases, posts use RFMS/M Property related Obligation and Payment

(PrOPP) functionality. PrOPP provides an automated tool to set up recurring profiles for obligations and payments related to leases and other recurring payments and includes reports and queries for managing future lease transactions. There are 104 posts that are currently live on PrOPP. The Department analyzed integrating the Real Property Application and RFMS, and this analysis continues as the Department is exploring various options.

RFMS Overseas Acquisition Integration. In an effort to improve Government efficiency and in support of OMB memorandum M-19-16 that requires agencies to centralize mission support functions, the Department implemented Momentum for contract writing purposes overseas. Momentum for contract writing is already in use domestically and the overseas user community will adopt the same model for its usage enabling the start of regionalization for procurement activities overseas. An initial pilot launched during 2021 continued through 2022. This initiative also establishes the groundwork to align domestic and overseas procurement models and centralize its approach to meet Digital Accountability and Transparency (DATA) Act reporting requirements across domestic and overseas procurement data. Historically, the Department struggled to certify its overseas procurement data as specified by the DATA Act, a major deficiency in the quarterly submissions to Treasury that represents an audit finding and can result in lower funding and/or full-time equivalent levels for the agency. The pilot phase is a major step in mitigating this risk and to achieving a single, unified procurement approach that standardizes procurement procedures and policy globally while increasing data accuracy, auditability, and transparency for data reporting compliance (present and future needs).

The Consolidated Overseas Accountability Support Toolbox. COAST is an application suite deployed to more than 180 posts around the world as well as to Department of State and other agency headquarters offices domestically. COAST captures and maintains accurate, meaningful financial information, and provides it to decision makers in a timely fashion. The current COAST suite consists of COAST Cashiering, COAST Reporting, and COAST Payroll Reporting. In 2021, the Department continued with the RFMS/Cashiering (RFMS/C) project to replace COAST Cashiering with a centralized, web-based cashiering application installed in a single location. With RFMS/C, transactions integrate with RFMS/M in real time. This will replace the existing COAST Cashiering process of sending transactions to RFMS/M through a batch file. Implementations of RFMS/C continue in 2022 as a multi-year project to replace COAST Cashiering. Fifty-three locations were converted from COAST to RFMS/C in 2022, with 109 remaining, targeting a 2024 completion.

Planning and Budget Systems Program

In 2022, the Budget System Modernization (BSM) project continued to expand the Department budget formulation and financial planning process via the Integrated Budget Intelligence System (IBIS). IBIS is the principal means by which the Department's bureaus execute financial plans and allocates funding worldwide. In addition, the Department's Global Business Intelligence (BI) reporting to Treasury was enhanced to expand the planned versus actual and other budgetary reports previously unavailable to the agency for specialized initiatives. In 2022, the BSM project also completed the fourth milestone of the IBIS overseas rollout involving post level financial plan review with execution analysis worldwide. The expansion of the functional bureau budgeting at post began in 2022 and will continue into 2023 by incorporating other budgetary functionality from existing legacy systems such as Web Resource Allocation and Budget Integration Tool (WebRABIT), completing in 2024. WebRABIT is an application used by regional and functional bureaus for tracking modifications to execution year budgets to their posts. The BSM project is part of the long-term strategy to provide a unified budgetary Department-wide solution.

The Web International Cooperative Administrative Support Services system is the principal means by which the U.S. Government shares the cost of common administrative support at its more than 270 diplomatic and consular posts overseas. The Department has statutory authority to serve as the primary overseas shared service provider to other agencies and is the primary service provider as it offers these administrative support services to other agencies on a reimbursable basis using a Working Capital Fund under authorities contained in 22 U.S.C. 2695 and 2684. In the spirit of the Government Performance and Results Act, the ICASS system seeks to provide quality services at the lowest cost, while ensuring that each agency bears the cost of its presence overseas. The ICASS program makes available a full range of administrative services at overseas posts. These include motor pool operations and vehicle maintenance, travel services, reproduction services, mail and messenger services, information management, reception, and telephone system services, purchasing and contracting, human resources services, cashiering, vouchering, accounting, budget preparation, residential and non-residential security guard services, and building operations.

Travel Systems Program

The Department has used Carlson Wagonlit's E2 Solutions for worldwide TDY travel since 2016. In addition, the Department uses the Local Travel module allowing for the submission of local travel claims for expenses incurred in and around the vicinity of a duty station as well as to process non-travel employee reimbursements previously submitted through an OF-1164. In the Local Travel module, approvers electronically approve claims and provide reimbursement to the employee's bank account via electronic funds transfer.

The Department continues to work with our bureaus and posts to identify improvements that can be made to the travel system. The Department also participates with other agencies to prioritize travel

system enhancements across the Federal Government landscape. The Department continues to work with Carlson Wagonlit Travel on enhancements to support integration improvements with our financial systems. The Department also continues to work with Carlson Wagonlit Travel on enhancements to support the implementation of split disbursements for direct payments of individually billed account charges, the Local Payments module domestically, and the implementation of Carlson Wagonlit Travel's Mission Insight dashboarding tool. The Department is also implementing a new interface between E2 and CGFS's Front Door application which will assist the Post Support Unit (PSU) in identifying and assigning post travel vouchers for review and approval across the multiple worldwide PSU locations.



Secretary Blinken holds a meet and greet with employees and families from U.S. Embassy Panama City in Panama City, Panama, April 19, 2022. *Department of State*

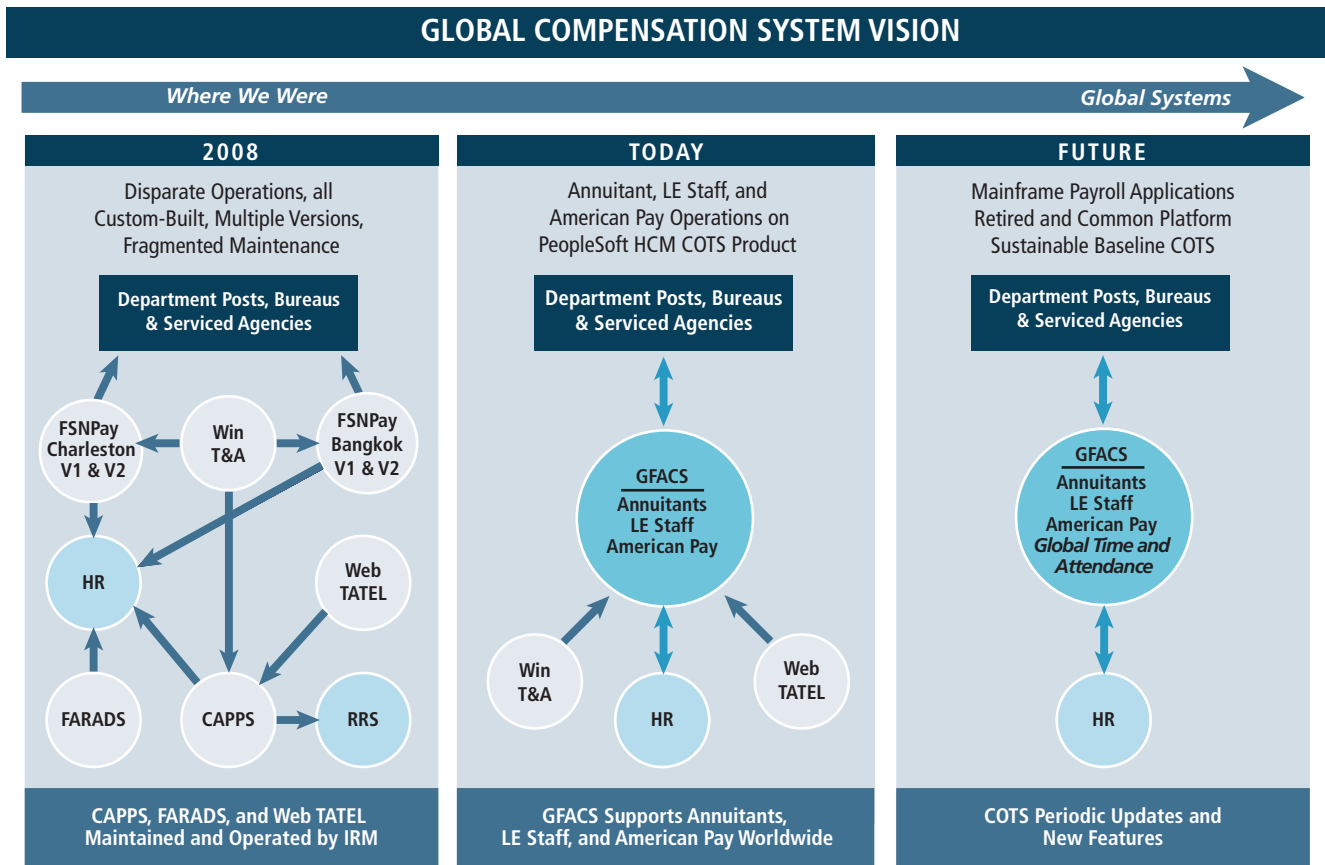
Compensation Systems Program

The Department serves as one of five payroll shared service providers on behalf of Federal agencies. Shared service providers process payroll annually for some 2.3 million employees worldwide, or about 99 percent of the Federal civilian workforce.

The Department continued to execute a phased deployment strategy, replacing six legacy payroll systems with a single, COTS-based solution to address the widely diverse payroll requirements of the Foreign Service, Civil Service, LE staff, and retirees of the Department and the other 45 civilian agencies serviced. The “Global Compensation System Vision” diagram highlights how past and future changes involve simplifying and consolidating our systems. The Global Foreign Affairs Compensation System (GFACS)

leverages a rules-based, table-driven architecture to promote compliance with the complex statutes found across the Foreign and Civil Service Acts and local laws and practices applicable to all the countries in which civilian agencies operate.

In 2022, development continued on the new web-based global time and attendance application that will use new technology providing improved business process controls for time and attendance procedures. The Global Time and Attendance application will have the capability of remote accessibility, integrated leave and pay requests, electronic routing and approval, and self-service features. As a result, it will bring a more efficient and modern time keeping process to the Department’s workforce.





Secretary Blinken hosts and delivers remarks at a Pride reception in Washington, D.C., June 17, 2022. *Department of State*

Business Intelligence Program

The Department's Business Intelligence program consists of the COAST Reporting, COAST Payroll Reporting, and the Global BI Reporting. Implemented in 2017, Global BI enables users to access financial information from standard, prepared reports, and customized queries. Global BI is also updated multiple times per day with current, critical financial information from the Department's financial management applications. Global BI will be the replacement Business Intelligence application for COAST Reporting and COAST Payroll Reporting.

The Department uses an agile-like process incorporating product owners and Global BI testers into the development process for Global BI enhancements. For the suite of Overseas Analytics, training has been formally conducted for over 80 percent of posts. The domestic bureaus have completed training. In 2022, work began on new Financial

Asset reporting utilizing data from multiple sources. Global BI also began development of an improved GTAS reporting process. New GFACS LE reports were developed in Global BI, and new GFMS and RFMS combined reporting on the status of obligations and unliquidated obligations was implemented to support global financial reporting. A new dashboard supporting OBO lease management was also implemented.

In 2023, work will begin on implementing GTAS reporting and analysis and initial development for Global BI migration to the Cloud. Impact analysis will be conducted as CGFS begins detailed work towards the upcoming financial system consolidation. A focus of the Global BI team will also be on the complete transition of post and other agency users from COAST to Global BI so that COAST can be retired. Incorporation of PowerApps into the Global BI architecture will also be done to support expanded dashboards and geospatial analytics.

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 State 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. There are three public tours each day.



The Henry Clay State Dining Room is one of 42 Diplomatic Reception rooms maintained by the Department. *Department of State*

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 the Bureau of Overseas Buildings Operations, Office of Residential Design and Cultural Heritage, is responsible for identifying and maintaining cultural objects owned by the Department in its properties abroad. The collections are identified based upon their historic importance, antiquity, or intrinsic value.

Secretary of State's Register of Culturally Significant Property

The Secretary of State's Register of Culturally Significant Property was established in January 2001 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 the Bureau of Overseas Buildings Operations, Office of Residential Design and Cultural Heritage.



"Smack" is a gifted oil painting by artist Camille Patha and is part of the Art in Embassies 2022 Tegucigalpa portfolio.
Department of State

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 1964 to promote national pride and the distinct cultural identity of America's arts and its artists. The program, which is managed by the Bureau of Overseas Buildings Operations, provides original U.S. works of art for the representational rooms of United States ambassadorial residences worldwide. The works of art were purchased or 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 Reporting Entity in Note 1.A). 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 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 2012, 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 State 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.



Secretary Blinken is joined in this photo by children from the Virginia-based ADAMS BEAT Choir during a reception in recognition of Eid in Washington, D.C., May 26, 2022. *Department of State*

Data Informed Diplomacy at Work in Times of Conflict



Aerial photo of Ukraine. An estimated 1,700,000 Ukrainian civilians, including 276,000 children, who had been subjected to filtration were forcibly deported to Russia as of June 14, 2022.
Department of State

The Bureau of Conflict and Stabilization Operations (CSO) promotes evidence based and data informed processes to enhance policy formulation and execution to anticipate, prevent, and respond to conflict. Evidence based analysis combines data, social science methods, and geospatial techniques with on-the-ground knowledge to gather a better understanding of context, people, and potential outcomes. Conflict dashboards and policy trackers are available on the Instability Monitoring and Analysis Platform, which is accessible to nearly 77,500 Department of State employees. The analysis available on Instability Monitoring and Analysis Platform distills complex findings into actionable policy recommendations and provides diplomats with the knowledge and tools to tackle a wide range of challenges. CSO also creates programs and conducts analysis to guide diplomatic activities on specific policy priorities, including the Conflict Observatory and the Summit for Democracy.

Conflict Observatory

CSO’s Conflict Observatory has leveraged commercial and other publicly available data collection technologies,

including satellite imagery and social media analytics, to document human rights abuses and atrocities committed by Russia’s forces in Ukraine. The goal of this initiative is to advance accountability and justice by supporting data informed decisions and supporting the prosecution and conviction of perpetrators with scientific documentation using geospatial technologies. The Conflict Observatory’s analyses already have contributed to two reports by the Organization for Security and Cooperation in Europe Moscow Mechanism’s mission of experts on violations of international humanitarian and human rights law, war crimes, and crimes against humanity. The Conflict Observatory also aims to provide evidence of atrocities to the public, bolstering international opposition to Russia’s war in Ukraine. The Conflict Observatory is managed by CSO in close coordination with the Office of Global Criminal Justice, other State components, and interagency partners.

Summit for Democracy

CSO leveraged data to assist the Department and the interagency with the Summit for Democracy in December 2021. CSO took the lead in the Summit for Democracy’s monitoring and analysis efforts by developing analytic tools that can be used to help inform the Department’s diplomatic work and internal evaluations. One such tool is an interactive dashboard that provides country-level snapshots of third-party indicators on Summit themes such as democratic reforms, tech for democracy, anti-corruption, electoral fairness, and media freedom. This allows individuals to review trends over time and understand the current status of issues related to the Summit. Likewise, CSO collects regular reporting from posts to gather on-the-ground feedback on an ongoing basis. These tools are intended to supplement the work of Summit for Democracy practitioners and support decision making with the data necessary to measure the impact of our diplomatic work.

Inaugural Data for Diplomacy Awards Program

The Department's Enterprise Data Council created the inaugural Data for Diplomacy Awards Program to recognize individuals and teams that leverage data as a strategic asset to support the Department of State's mission. In its first year, the awards program drew an overwhelming 118 submissions in four categories from 42 locations across the globe.



This map depicts the 118 nominations that were received for the Department's inaugural Data for Diplomacy Award program. Other stats on the graphic include: 55 Group Award Nominations, 34 Individual Award Nominations, 26 Data 'Ambassador' Nominations, 2 Post Awards, and 5 Winners Selected. *Department of State*

Projects ranged from strategy to public diplomacy, and included programming, hiring and promotions, COVID-19 monitoring, visa tracking, American citizen services during a crisis, conflict trend monitoring and assessment, financial management and more.

Data for Diplomacy Award winners:

Individual Awards

Christopher Petersen developed a database to analyze flight manifests and track tens of thousands of refugees' movements in support of Operation Allies Refuge in September 2021. Chris's innovative work transforming a manual process into a secure, web-based, mobile-friendly solution saved hundreds of hours, automated the team's existing process, and helped identify and prioritize vulnerable refugee cases.

Dr. Molini Patel was recognized for her expertise and leadership in managing data related to COVID-19, ZephAir, and Anomalous Health Incidents. Dr. Patel's

data management programs greatly assisted the Department's COVID-19 response by making vaccination distribution plans and medical evacuations and planning more predictive and efficient. They revolutionized the ability to gather data and mold it into products easily understood and used by policymakers to make decisions within her bureau and throughout the Department.

Group Award Winner

Simone Bak, Frederick Check, Bridget Connelly, Sarah Detzner, Georges Fadel, John Stevenson, Annalise Stone, Robert Strauss, and Katie Troutman developed a new diagnostic tool, the Security Cooperation Evaluation Framework index, to measure the effectiveness of programs and activities. Given the tremendous scale of U.S. security cooperation and assistance and its commensurate importance as a tool of U.S. foreign policy, the Security Cooperation Evaluation Framework holds the potential to shape policymakers' approach to many of our allies and partners.


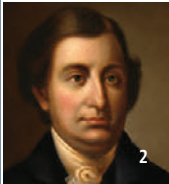







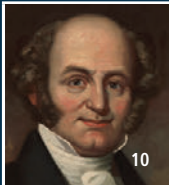



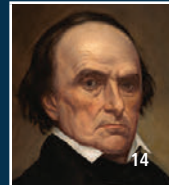





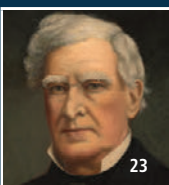
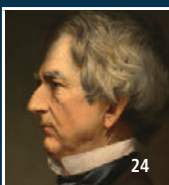





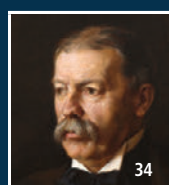

Data Ambassador Award Winners

Amanda Beck, Will Marsh, and Tina Wong were recognized for their work in designing, implementing, analyzing, and producing the first comprehensive Foreign Service assignments data informed survey and policy report at no cost to the Government. It meets the highest data privacy and ethical standards while leveraging the analytical talents of our employees and advancing the Administration's priority on equity and transparency.



Chief Data Officer Matthew Graviss presents Embassy Panama with an award for the inaugural Data for Diplomacy Award program, June 8, 2022. *Department of State*

U.S. Secretaries of State Past and Present

 1 Thomas Jefferson (1790-1793)	 2 Edmund Jennings Randolph (1794-1795)	 3 Timothy Pickering (1795-1800)	 4 John Marshall 1800-1801	 5 James Madison (1801-1809)	 6 Robert Smith (1809-1811)	 7 James Monroe (1811-1817)
 8 John Quincy Adams (1817-1825)	 9 Henry Clay (1825-1829)	 10 Martin Van Buren (1829-1831)	 11 Edward Livingston (1831-1833)	 12 Louis McClane (1833-1834)	 13 John Forsyth (1834-1841)	 14 Daniel Webster (1841-1843)
 15 Abel Parker Upshur (1843-1844)	 16 John Caldwell Calhoun (1844-1845)	 17 James Buchanan (1845-1849)	 18 John Middleton Clayton (1849-1850)	 19 Daniel Webster (1850-1852)	 20 Edward Everett (1852-1853)	 21 William Learned Marcy (1853-1857)
 22 Lewis Cass (1857-1860)	 23 Jeremiah Sullivan Black (1860-1861)	 24 William Henry Seward (1861-1869)	 25 Elihu Benjamin Washburne (1869-1869)	 26 Hamilton Fish (1869-1877)	 27 William Maxwell Evarts (1877-1881)	 28 James Gillespie Blaine (1881-1881)
 29 Frederick Theodore Frelinghuysen (1881-1885)	 30 Thomas Francis Bayard (1885-1889)	 31 James Gillespie Blaine (1889-1892)	 32 John Watson Foster (1892-1893)	 33 Walter Quintin Gresham (1893-1895)	 34 Richard Olney (1895-1897)	 35 John Sherman (1897-1898)



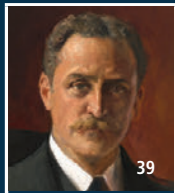
36
William Rufus Day
(1898-1898)



37
John Milton Hay
(1898-1905)



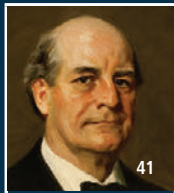
38
Elihu Root
(1905-1909)



39
Robert Bacon
(1909-1909)



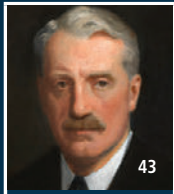
40
Philander Chase
Knox
(1909-1913)



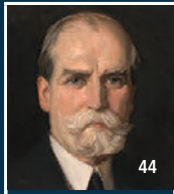
41
William Jennings
Bryan
(1913-1915)



42
Robert Lansing
(1915-1920)



43
Bainbridge Colby
(1920-1921)



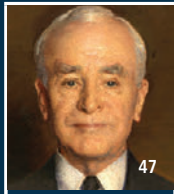
44
Charles Evans
Hughes
(1921-1925)



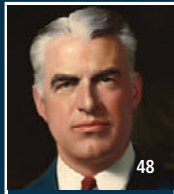
45
Frank Billings
Kellogg
(1925-1929)



46
Henry Lewis
Stimson
(1929-1933)



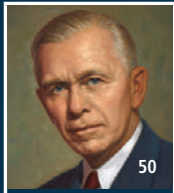
47
Cordell Hull
(1933-1944)



48
Edward Reilly
Stettinius Jr.
(1944-1945)



49
James Francis
Byrnes
(1945-1947)



50
George Catlett
Marshall
(1947-1949)



51
Dean Gooderham
Acheson
(1949-1953)



52
John Foster Dulles
(1953-1959)



53
Christian Archibald
Herter
(1959-1961)



54
David Dean Rusk
(1961-1969)



55
William Pierce
Rogers
(1969-1973)



56
Henry A. Kissinger
(1973-1977)



57
Cyrus Roberts Vance
(1977-1980)



58
Edmund Sixtus
Muskie
(1980-1981)



59
Alexander Meigs
Haig Jr.
(1981-1982)



60
George Pratt Shultz
(1982-1989)



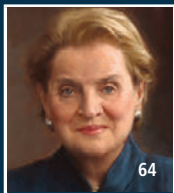
61
James Addison
Baker III
(1989-1992)



62
Lawrence Sidney
Eagleburger
(1992-1993)



63
Warren Minor
Christopher
(1993-1997)



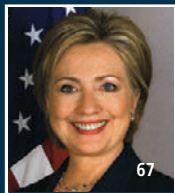
64
Madeleine Korbelt
Albright
(1997-2001)



65
Colin Luther Powell
(2001-2005)



66
Condoleezza Rice
(2005-2009)



67
Hillary Rodham
Clinton
(2009-2013)



68
John Forbes Kerry
(2013-2017)



69
Rex Wayne Tillerson
(2017-2018)



70
Michael R. Pompeo
(2018-2021)



71
Antony J. Blinken
(2021-Present)



More information on former Secretaries can be found at:
<https://history.state.gov/departmenthistory/people/secretaries>

Appendices

Appendix A: Abbreviations and Acronyms

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

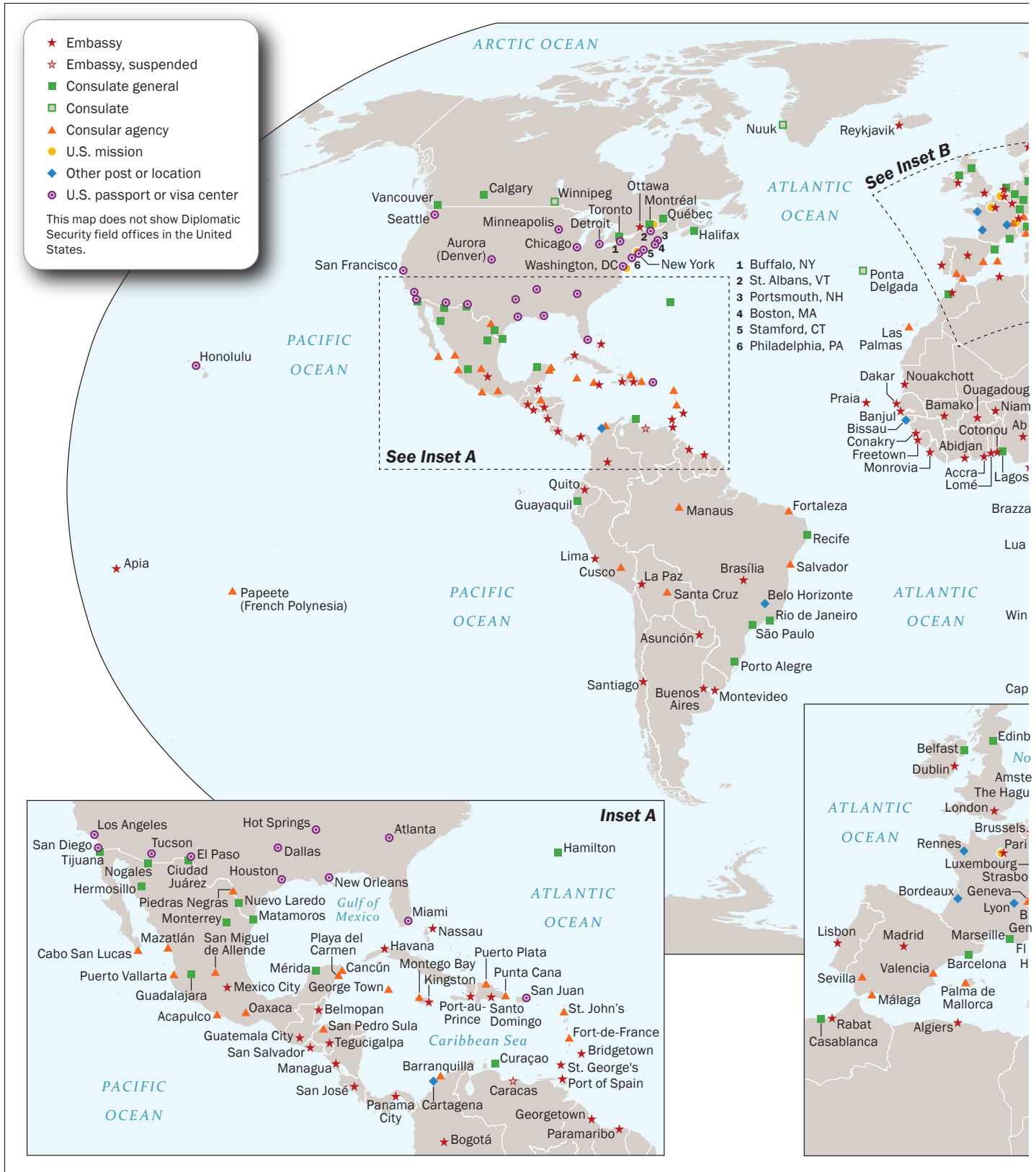
5G	Fifth Generation	COVID-19	Coronavirus Disease 2019
ADA	Antideficiency Act	CPME	Classified Pouch Modernization Effort
ADP	Automated Data Processing	CSO	Bureau of Conflict and Stabilization Operations*
AF	Bureau of African Affairs*	CS&R	Climate Security & Resilience
AFR	Agency Financial Report	CSRS	Civil Service Retirement System
AIDS	Acquired Immunodeficiency Syndrome	D	Deputy Secretary of State*
A/OPE	Office of the Procurement Executive*	DATA Act	Digital Accountability and Transparency Act
APG	Agency Priority Goal	DCCP	Digital Connectivity and Cybersecurity Partnership
APP	Annual Performance Plan	DCP	Defined Contribution Plan
ARP	American Rescue Plan	DEIA	Diversity, Equity, Inclusion, and Accessibility
ASEAN	Association of Southeast Asian Nations	Department	U.S. Department of State
APR	Annual Performance Report	D-MR	Deputy Secretary of State for Management and Resources*
Appendix A	OMB Circular A-123, Appendix A	DM&R	Deferred Maintenance and Repairs
BI	Business Intelligence	DOL	U.S. Department of Labor
BSM	Budget System Modernization	DS	Bureau of Diplomatic Security*
CA	Bureau of Consular Affairs*	EDCS	Emergencies in the Diplomatic and Consular Service
CAPPS	Consolidated American Payroll Processing System*	EDS	Enterprise Data Strategy
CARP	Climate Adaptation and Resilience Plan	EGB	Enterprise Governance Board
CBSP	Consular and Border Security Programs*	ESP	Evaluations and Special Projects*
CCS	Office of Consolidated Customer Support*	EWC	East-West Center
CDP	Bureau of Cyberspace and Digital Policy*	FAM	Foreign Affairs Manual
CEAR	Certificate of Excellence in Accountability Reporting	FARADS	Foreign Affairs Retirement and Disability System*
CFO	Chief Financial Officer	FASAB	Federal Accounting Standards Advisory Board
C.F.R.	Code of Federal Regulations	FBWT	Fund Balance with Treasury
CGFS	Bureau of the Comptroller and Global Financial Services*	FCI	Facility Condition Index
CIO	Contributions to International Organizations	FECA	Federal Employees' Compensation Act
CIPA	Contributions for International Peacekeeping Activities	FEGLIP	Federal Employees' Group Life Insurance Program
CMMI	Capability Maturity Model Integration	FEHBP	Federal Employees Health Benefits Program
COAST	Consolidated Overseas Accountability Support Toolbox*	FERS	Federal Employees Retirement System
COM	Chief of Mission	FFMIA	Federal Financial Management Improvement Act of 1996
COR	Contracting Officer's Representative		
COTS	Commercial Off-the-Shelf		

FISMA	Federal Information Security Modernization Act of 2014	ICASS	International Cooperative Administrative Support Services*
FMFIA	Federal Managers' Financial Integrity Act of 1982	INL	Bureau of International Narcotics and Law Enforcement Affairs*
FR	Federal Register	IO	Bureau of International Organization Affairs*
FR	Financial Report of the U.S. Government	IO&P	International Operations and Programs
FSI	Foreign Service Institute*	IPIA	Improper Payments Information Act of 2002
FSN	Foreign Service National	IPP	Invoice Processing Platform
FSN DCF	Foreign Service National Defined Contributions Fund	IRM	Bureau of Information Resource Management*
FSRDF	Foreign Service Retirement and Disability Fund	ISP	Inspection*
FSRDS	Foreign Service Retirement and Disability System	IT	Information Technology
FSPS	Foreign Service Pension System	JSP	Joint Strategic Plan
FWCB	Federal Workers' Compensation Benefits	LE Staff	Locally Employed Staff
FY	Fiscal Year	LSSS	Local Social Security System
G7	Group of Seven	M	Under Secretary for Management*
G-Invoicing	Government-Invoicing	MAP	Management Analytics Portal*
GAAP	Generally Accepted Accounting Principles	MCSC	Management Control Steering Committee*
GAAS	Generally Accepted Auditing Standards	NATO	North Atlantic Treaty Organization
GAO	U.S. Government Accountability Office	NRP	Narcotics Rewards Program
GEC	Global Engagement Center	OAS	Organization of American States
GFACS	Global Foreign Affairs Compensation System*	OAW	Operation Allies Welcome
GFMS	Global Financial Management System*	OBO	Bureau of Overseas Buildings Operations*
GO	Grants Officer	ODI	Office of Diversity and Inclusion*
GOR	Grants Officer Representative	OECD	Organization for Economic Cooperation and Development
GPRA	Government Performance and Results Act	OES/EGC	Office of Global Change*
GSA	U.S. General Services Administration	OIG	Office of Inspector General*
GTAS	Government-wide Treasury Account Symbol Adjusted Trial Balance System	OMB	U.S. Office of Management and Budget
GTM	Bureau of Global Talent Management*	OPM	U.S. Office of Personnel Management
HCM	Human Capital Management	OSCE	Organization for Security and Co-operation in Europe
HHS	U.S. Department of Health and Human Services	PBO	Projected Benefit Obligation
HIV	Human Immunodeficiency Virus	PD	Public Diplomacy
HR	Human Resources	PEPFAR	President's Emergency Plan for AIDS Relief
IAS	International Accounting Standards	PIIA	Payment Integrity Information Act of 2019
IBIS	Integrated Budget Intelligence System*	PMS	Payment Management System (HHS)
IBWC	International Boundary and Water Commission	POSHO	Post Occupational Safety and Health Officer
ICAO	International Civil Aviation Organization (UN)	PPA	Prompt Payment Act
		PrOPP	Property related Obligation and Payment
		PSU	Post Support Unit
		RFJ	Rewards for Justice
		RFMS	Regional Financial Management System*

RFMS/C	Regional Financial Management System/Cashiering*	Treasury	U.S. Department of the Treasury
RFMS/D	Regional Financial Management System/Disbursing*	TSP	Thrift Savings Plan
RFMS/M	Regional Financial Management System/Momentum*	U.S.C.	United States Code
RRS	Retirement Records System	UDO	Undelivered Orders
SAMS	State Assistance Management System	UK	United Kingdom
SAT	Senior Assessment Team	ULO	Unliquidated Obligation
SFFAS	Statement of Federal Financial Accounting Standards	UN	United Nations
SG	Strategic Goal	UNEP	United Nations Environment Programme (UN)
SID	Software in Development	UN-HABITAT	United Nations Human Settlements Programme (UN)
SoA	Statement of Assurance	UNVIE	U.S. Mission to International Organizations in Vienna
SOC	Service Organization Controls	USAID	U.S. Agency for International Development
SPEC	Special Presidential Envoy for Climate	USSGL	U.S. Standard General Ledger
SRM	Sustainment, Restoration, and Modernization	VAT	Value Added Tax
T&A	Time and Attendance	VCP	Variable Contribution Plan
TAFS	Treasury Account Fund Symbols	WCF	Working Capital Fund
TIP	Trafficking in Persons	Web Tatel	Web-based Time and Attendance Telecommunications Line*
TOC	Transnational Organized Crime	WebRABIT	Web Resource Allocation and Budget Integration Tool*
TOCRP	Transnational Organized Crime Rewards Program		

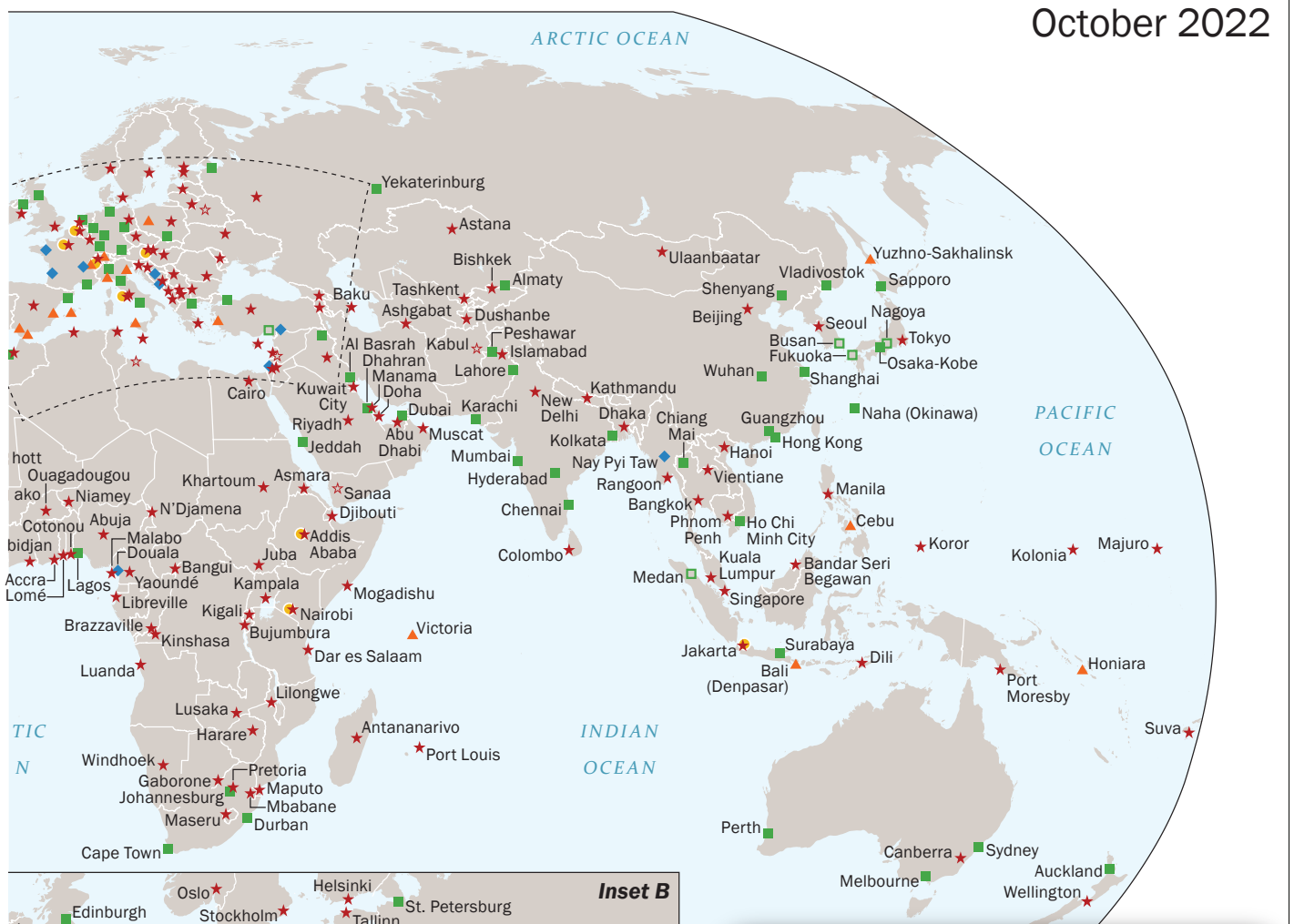
Appendix B: Department of State Locations

Department of State Locations



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

October 2022



- Cities with multiple Department of State facilities**
- | | |
|---|--|
| <p>Addis Ababa:
Embassy Addis Ababa
U.S. Mission to the African Union</p> <p>Brussels:
Embassy Brussels
U.S. Mission to the European Union
U.S. Mission to NATO</p> <p>Geneva:
U.S. Mission Geneva
Consular Agency Geneva</p> <p>Jakarta:
Embassy Jakarta
U.S. Mission to ASEAN</p> <p>Montréal:
Consulate General Montréal
U.S. Mission to ICAO</p> <p>Nairobi:
Embassy Nairobi
U.S. Mission Nairobi
U.S. Mission to UNEP
U.S. Mission to UN-HABITAT</p> | <p>New York:
U.S. Mission to the UN
New York Passport Center</p> <p>Paris:
Embassy Paris
U.S. Mission to OECD</p> <p>Portsmouth, NH:
National Passport Center
National Visa Center</p> <p>Rome:
Embassy Rome
Embassy Holy See
U.S. Mission Rome</p> <p>Vienna:
Embassy Vienna
U.S. Mission to OSCE
U.S. Mission to UNVIE</p> <p>Washington, DC:
Department of State
U.S. Mission to OAS
Washington Passport Agency</p> |
|---|--|

2653 10-22 STATE (INR)

Acknowledgements

This Agency Financial Report (AFR) was produced with the energies and talents of Department of State staff in Washington, D.C. and our offices and posts around the world. We offer our sincerest thanks and acknowledgment. In particular, we recognize the following individuals and organizations for their contributions:

Bureau of the Comptroller and Global Financial Services (CGFS):

*James Walsh, Comptroller
William Davisson, Deputy Comptroller (Charleston)
Cecilia Coates, Deputy Comptroller (DC)
Ralph Hamilton, Associate Comptroller
Kerry Neal, Managing Director of Financial Policy,
Reporting & Analysis*

*Joan Lugo, Managing Director of Global Financial Operations
Carole Clay, Director of Office of Management Controls
Paul McVicker, Director of Office of Financial Coordination
and Reports for Oversight, Management & Analysis
Donald Wood, Director of Office of Financial Reporting and
Analysis
Stefanie Harris, Senior Advisor
Jorelys Burgos, AFR Coordinator
Monika Moore, AFR Editor*

*Christopher Allen, Carl Biggs, Lance Binford, Bradley Biondi,
Damon Blacklock, Marcus Bowman, Nadine Bradley,
Alexis Brown, Nathan Burgreen, Zachary Coho, Amanda
Dombrowski, Cindy Fleming, Kyle Grindstaff, Amanda
Heredia, Matthew H. Johnson, Joseph Kauffman, Dong Kim,
Eugene Kim, Ashley Knode, Yen Le, St. John Leck, Dylan Lee,
Trevor McNamara, Janet Morgan, Tuan Nguyen, Jennifer*

*Park, Joseph Peter, Kanetha Peters, Meredith Shears, Minura
Silva, Harkamal Singh, Melissa Sizemore, William Truman,
Alexander Williams, and Wendy Williams.*

*CGFS personnel in Charleston, Bangkok, Paris, Manila, Sofia,
and Washington, D.C.*

*Thanks to all of the Department's financial and
management personnel at home and around the world
providing accountability and effective stewardship over
Department resources.*

Other Contributors:

*Janet Boehnlein and Rebecca Davidson, from the Office of
Management Strategy and Solutions' Center for Analytics.*

*We would like to acknowledge the Office of Inspector
General for their objective review of the Department's
performance and Kearney & Company for the professional
manner in which they conducted the audit of the 2022
financial statements.*

*We would also like to acknowledge Jessica Kerns of
Guidehouse for her contribution to our report.*

*Finally, we offer special thanks to our designers of
Schatz Publishing Group, LLC.*

2022 Image Credits

*Department of State: Cover, Table of Contents, pages 3, 4,
6, 9, 10, 11, 13, 14, 15, 21, 22, 32, 33, 38, 39, 40, 41, 43, 44,
69, 71, 75, 76, 80, 83, 85, 88, 91, 96, 101, 105, 108, 109, 112,
113, 131, 132, 135, 142, 144, 145, 146, 147, 148, 149*

The *Agency Financial Report for Fiscal Year 2022* is published by the

U.S. Department of State

Bureau of the Comptroller and Global Financial Services
Office of Financial Policy, Reporting & Analysis

An electronic version is available at
<http://www.state.gov/plans-performance-budget/agency-financial-reports>

Please call (202) 261-8620 with comments, suggestions, or requests.

U.S. Department of State Publication
Bureau of Global Public Affairs
November 2022

Note: The Bureau of Global Public Affairs, Office of Global Web Platforms assisted the Bureau of the Comptroller and Global Financial Services with the production of the *FY 2022 Agency Financial Report*.

Websites of Interest



DipNote Blog: blogs.state.gov



Facebook: www.facebook.com/statedept



Flickr: www.flickr.com/photos/statephotos



Instagram: www.instagram.com/statedept



LinkedIn: www.linkedin.com/company/doscareers



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



Twitter: www.twitter.com/StateDept



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



YouTube: www.youtube.com/user/statevideo

Thank you for your interest in the U.S. Department of State and its Fiscal Year 2022 Agency Financial Report. Electronic copies of this report and prior years' reports are available through the Department's website: www.state.gov.

You may also stay connected with the Department via social media and multimedia platforms listed above.

In addition, the Department publishes *State Magazine* monthly. This magazine facilitates communication between management and employees at home and abroad and acquaints employees with developments that may affect operations or personnel. The magazine is also available to persons interested in working for the Department of State and to the general public. *State Magazine* may be found online at: statemag.state.gov.



2201 C Street, N.W.
Washington, D.C. 20520
(202) 647-4000
www.state.gov