HIGHLIGHTS

Office of Inspector General
United States Department of State

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OFFICE OF AUDITS
(U) STRATEGIC PRIORITIES DIVISION

(U) Audit of the Bureau of Population, Refugees, and Migration's Efforts To Mitigate Terrorist Financing Risks in the Near East

(U) What OIG Audited

(U) On October 7, 2023, Hamas launched an attack on Israel. Following Israeli government allegations, a UN investigation found that nine United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) employees may have been involved in the October 7th attack. As a result, the United States halted UNRWA funding and made awards to other public international organizations (PIO) for humanitarian assistance in the Near East.

(U) The Office of Inspector General (OIG) conducted this audit to determine whether the Bureau of Population, Refugees, and Migration (PRM) implemented appropriate measures to mitigate risks that PRM-funded PIO activities could benefit terrorist groups, their members, or their supporters (terrorist financing risk) in the Near East following the October 7th attack. OIG reviewed six voluntary contributions valued at $382.1 million that were awarded to UNRWA, the International Organization for Migration (IOM), and the United Nations Children's Fund (UNICEF).

(U) What OIG Recommends

(U) OIG made 10 recommendations to improve the Department of State's (Department) oversight and implementation of terrorist financing risk mitigation measures for PIO activities. Based on the responses to a draft of this report, OIG considers the recommendations resolved, pending further action. A synopsis of the Department's comments and OIG's reply follows each recommendation in the Audit Results section of this report. The Department's responses are reprinted in their entirety in Appendices C and D. OIG's reply to general comments on a draft of this report is included in Appendix E.

(U) What OIG Found

(U) PRM did not develop and implement appropriate measures to mitigate risks that selected PRM-funded PIO activities could benefit terrorist groups, their members, or their supporters in the Near East following the October 7th Hamas attack. Specifically, OIG found that PRM did not change the terrorist financing risk mitigation measures that had been included in previous UNRWA voluntary contributions following the Hamas attack and before providing additional funds. In addition, OIG found that PRM identified but did not effectively implement additional terrorist financing risk mitigation measures for IOM and UNICEF awards following the attack.

(U) This occurred, at least in part, because the Department did not have sufficient guidance or internal controls related to terrorist financing risk mitigation measures. For example, PRM officials told OIG that they were unaware that certain mitigation measures could be applied to sub-recipients and PIO award beneficiaries. In addition, OIG determined that PRM relied on PIO-implemented mitigation measures without performing additional independent validation or verification that the mitigation measures functioned as expected. Finally, requirements for making timely changes to mitigation measures and halting award payments due to extraordinary events—such as the October 7th attack—were not established in PRM or Department guidance.

(U) As a result, in accordance with the Inspector General Act, OIG considers $379.1 million PRM provided to UNRWA, IOM, and UNICEF as funds to be put to better use. Specifically, PRM potentially put at risk or mismanaged $109.7 million by providing funds to UNRWA without making changes to terrorist financing risk mitigation measures that the October 7th attack proved to have been ineffective. In addition, PRM potentially put at risk or mismanaged $81.4 million for IOM and $18 million for UNICEF because it did not have sufficient assurance that these funds would be appropriately protected. Finally, as of July 2025, $170 million was available to be spent on three awards to IOM and UNICEF, which remain at risk of benefiting terrorist groups, their members, or their supporters if PRM does not take appropriate actions to address the weaknesses OIG identified in the bureau's terrorist financing risk mitigation measures.