Office of Inspector General
United States Department of State

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

STRATEGIC PRIORITIES DIVISION

HIGHLIGHTS
Office of Inspector General
United States Department of State

AUD-STP-26-15

(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.

July 2026
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 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.

(U) CONTENTS

(U) OBJECTIVE

(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 public international organization (PIO) [1] activities could benefit terrorist groups, their members, or their supporters in the Near East following the October 7, 2023, Hamas attack on Israel.

(U) BACKGROUND

(U) October 7, 2023, Attack on Israel

(U) On October 7, 2023, Hamas and other Palestinian terrorist organizations launched an attack on Israel from Gaza, resulting in a wide-scale military operation and thousands of kidnappings of, injuries to, and deaths of Americans, Israelis, Palestinians, and other third-country nationals. The Israeli government alleged that Hamas members who perpetrated the October 7th attack included staff from the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA).[2] On January 26, 2024, the Department of State (Department) announced that it had temporarily paused additional funding to UNRWA in order to review the allegations.[3] On August 5, 2024, the UN Office of Internal Oversight Services reported that 9 of the 19 accused UNRWA staff may have been involved in the attack. In a statement acknowledging the completion of the Office of Internal Oversight Services' investigation, UNRWA's Commissioner-General stated that these nine staff members "cannot work for UNRWA. All contracts of these staff members will be terminated in the interest of [UNRWA]."[4] As a result of the October 7th attack and the allegations against UNRWA staff, the United States indefinitely suspended UNRWA funding on February 4, 2025.[5]

(U) Department Management and Oversight of Humanitarian Assistance

(U) Prior to July 2025, PRM led the Department's response to humanitarian crises and its efforts to provide protection and assistance to refugees around the world. According to PRM's 2022 bureau strategy, [6] its goals were to

> (U) Save lives, ease suffering, and promote human dignity through efficient and effective humanitarian assistance; . . . [p]romote and provide durable and interim solutions for populations of concern through U.S. assistance, resettlement, and collaboration with the international

[1] (U) PIOs are (1) organizations that the United States partners with pursuant to a treaty or legislation authorizing its participation or (2) organizations determined to be PIOs by the Department's Office of the Legal Adviser.
[2] (U) UNRWA Official Statement, "Serious allegations against UNRWA staff in the Gaza Strip," January 26, 2024.
[3] (U) Department Press Statement, "Statement on UNRWA Allegations," January 26, 2024.
[4] (U) UN Affairs, "UN completes investigation on UNRWA staff," August 5, 2024.
[5] (U) Executive Order 14199, Withdrawing the United States from and Ending Funding to Certain United Nations Organizations and Reviewing United States Support to All International Organizations, February 4, 2025.
[6] (U) PRM, *Functional Bureau Strategy: Bureau of Population, Refugees, and Migration*, January 6, 2022.

> community; . . . [and] [a]dvocate for the protection of vulnerable populations and exert leadership in the international community.

(U) In July 2025, as part of the Department's domestic reorganization, PRM became a part of the newly created Under Secretary for Foreign Assistance, Humanitarian Affairs, and Religious Freedom.[7] According to the Department, the Under Secretary for Foreign Assistance, Humanitarian Affairs, and Religious Freedom ensures effective management and oversight of foreign assistance programs, coordinates international disaster, crisis and humanitarian response efforts, supports global immigration and border security, and advances the Department's values-based diplomatic agenda. The bureaus reporting to the Under Secretary are to advance the national interests of the American people by strategically deploying foreign assistance funds to further national security, trade, and humanitarian priorities, advocating for tranquility and respect for free speech, religious freedom and natural rights around the world, and helping partner nations respond to crises and ensure shared security and prosperity.[8] In addition, the Department established the Office of Foreign Assistance Oversight to lead the coordination of U.S. foreign assistance. It is intended to advance U.S. national security and development objectives by coordinating policy, planning, and performance management efforts; promoting evidence-informed decision making; and providing strategic direction for the Department's foreign assistance resources.[9]

(U) In March 2026, the Department announced the establishment of the Bureau of Disaster and Humanitarian Response (DHR).[10] Under the direction of the Under Secretary for Foreign Assistance, Humanitarian Affairs, and Religious Freedom, DHR is now responsible for leading the U.S. government's response to sudden-onset disasters and high-priority, complex humanitarian situations overseas. DHR is also responsible for providing U.S. government-wide policy leadership on food security and nutrition and management of longer-term, high-impact agricultural research and innovation partnerships.[11]

(U) In April 2026, the Department also announced the realignment and reorganization of PRM. According to the Department, PRM is now responsible for formulating and implementing U.S. policies on international population, refugee, and migration matters to end mass and illegal immigration. To carry out this new mission, the bureau was reorganized into three offices, including the Office of Remigration, Office of International Migration and Repatriation, and the

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[7] (U) Department Organizational Chart, July 2025.

[8] (U) Department, "Under Secretary for Foreign Assistance, Humanitarian Affairs, and Religious Freedom," https://www.state.gov/bureaus-offices/under-secretary-for-foreign-assistance-humanitarian-affairs-and-religious-freedom/.

[9] (U) Department, "Office of Foreign Assistance Oversight," https://www.state.gov/bureaus-offices/under-secretary-for-foreign-assistance-humanitarian-affairs-and-religious-freedom/office-of-foreign-assistance-oversight/.

[10] (U) 26 Department Notice 282, "Establishment of the Bureau of Disaster and Humanitarian Response," March 19, 2026.

[11] (U) Department, "Bureau of Disaster and Humanitarian Response," https://www.state.gov/bureaus-offices/under-secretary-for-foreign-assistance-humanitarian-affairs-and-religious-freedom/bureau-of-disaster-and-humanitarian-response/.

Office of Refugee Processing. PRM will sunset its legacy portfolio of humanitarian awards but will continue to provide foreign assistance that advances U.S. migration policy objectives.[12]

(U) Voluntary Contributions to Public International Organizations

(U) PRM primarily provided funding for humanitarian assistance to PIOs, such as UNRWA, the International Organization for Migration (IOM), and the United Nations Children's Fund (UNICEF), through voluntary contributions. Voluntary contributions are discretionary financial assistance provided to foreign countries, international societies, commissions, proceedings, or projects.[13] The Foreign Assistance Act of 1961, as amended, authorizes the President to make voluntary contributions on a grant basis to PIOs and to programs administered by such organizations.[14] This funding is congressionally appropriated, or allocated at the discretion of the Department bureau that has specific statutory authorization, in response to a call for funding (i.e., an appeal) from an organization. In emergency situations, PIOs sometimes issue a flash appeal to obtain funding from donors, including the United States.

(U) To issue a voluntary contribution to a PIO, PRM provides a contribution letter, accompanied by voluntary contribution terms and conditions, which is required by the Federal Assistance Directive.[15,16] In addition, voluntary contribution monitoring is mandatory, but the level of monitoring is at the Grants Officer's discretion, based on an associated risk assessment. Payment of funds awarded through the voluntary contributions is made through the Department of Health and Human Services' Payment Management Services system.

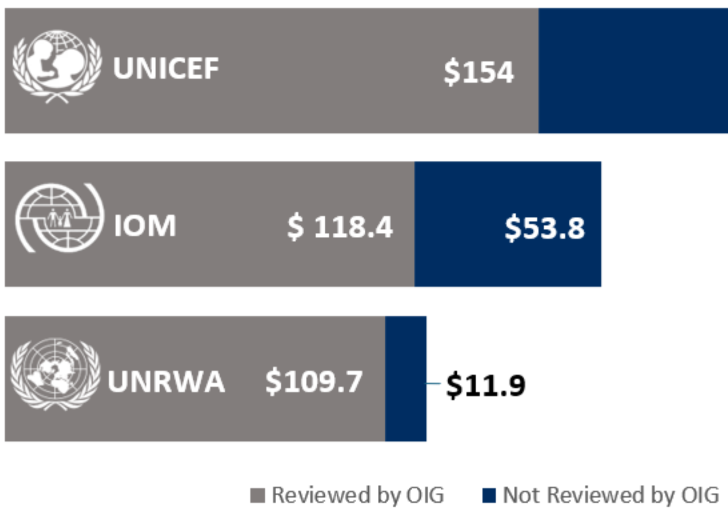
(U) Voluntary Contributions Selected for Review

(U) From October 2023 through March 2025, PRM awarded 31 voluntary contributions, valued at $542.7 million, to UNRWA, IOM, and UNICEF to provide humanitarian assistance in Near Eastern locations including Egypt, Jordan, Lebanon, Syria, the West Bank, Gaza, and Yemen. OIG selected 6 of the 31 voluntary contributions (19 percent) for review.[17] The value of the six selected voluntary contributions was $382.1 million, which represented 70 percent of the total

[12] (U) Cable 26 STATE 31516, "Introducing PRM 2.0," April 9, 2026.
[13] (U) 4 Foreign Affairs Handbook-3 H-612.2, "Assistance Types."
[14] (U) Foreign Assistance Act of 1961, as amended, 22 United States Code (U.S.C.) § 2221(a).
[15] (U) The Federal Assistance Directive establishes Department guidance, policies, and procedures for domestic and overseas bureaus, offices, and posts when administering federal assistance.
[16] (U) Federal Assistance Directive (October 2022, and later revisions), Chapter 3, "Federal Award Requirements," Section K.2, "Voluntary Contributions," pages 116-118.
[17] (U) See Appendix A for details on sample selection.

value of PRM's voluntary contributions to UNRWA, IOM, and UNICEF in the Near East.[18] Figure 1 provides additional details of the voluntary contributions selected for review. In addition, Figure 2 provides a timeline of selected PRM-funded voluntary contributions and other related events.

(U) Figure 1: Details of Voluntary Contributions Selected for Review (in Millions)



(U) Source: Generated by OIG from data provided by PRM in February and April 2025.

[18] (U) On January 20, 2025, the White House issued Executive Order 14169, Reevaluating and Realigning United States Foreign Aid, which announced a 90-day pause in U.S. foreign assistance and directed responsible department and agency heads to review U.S. foreign assistance programs, assess the programs for programmatic efficiencies and consistency with U.S. foreign policy, and determine whether to continue, modify, or cease each program based upon the review. On January 27, 2025, PRM notified IOM and UNICEF that voluntary contribution activities were suspended pending the 90-day Department-wide review of foreign assistance programs. On March 7, 2025, PRM notified IOM and UNICEF that the suspension of funding was lifted and that the PIOs could resume voluntary contribution activities. The Department did not provide a similar notification to UNRWA, as voluntary contribution activities had been previously suspended.

(U) UNRWA Awards

(U) According to UNRWA, its services—which can be provided during times of armed conflict—span education, health care, relief and social services, infrastructure and camp improvement, and microfinance and emergency assistance. UNRWA provides these services to Palestinian refugees and other displaced persons in need of assistance in Jordan, Lebanon, Syria, the West Bank, and Gaza.[19] The United States and UNRWA formerly operated under a Framework for Cooperation.[20]

(U) The framework was not a legally binding document. Rather, its intent was to promote compliance with the conditions outlined in Section 301 of the Foreign Assistance Act [21] and the UN humanitarian principles of neutrality, humanity, independence, and impartiality. The framework included an annex outlining UNRWA's activities designed to maintain the neutrality of its staff, personnel, beneficiaries, installations, contractors, vendors, and non-state donors.

(U) Figure 2: Timeline of Selected PRM-Funded Voluntary Contributions and Related Events

(U) Source: Generated by OIG from a review of Department documents and Executive Order 14199.

(U) OIG selected two UNRWA awards to review. Specifically, in FY 2024, PRM awarded $51 million to UNRWA to provide humanitarian assistance and protection to Palestinian refugees. In addition, in FY 2024, PRM awarded $58.7 million to UNRWA to provide essential services—such as health care, education,

[19] (U) UNRWA, "Who is UNRWA mandated to serve?" https://www.unrwa.org/who-unrwa-mandated-serve, and "Who We Are," May 6, 2025, https://www.unrwa.org/who-we-are.

[20] (U) Department, *Framework for Cooperation Between the United Nations Relief and Works Agency for Palestine Refugees in the Near East and the United States of America 2023-2024,* May 30, 2023.

[21] (U) Foreign Assistance Act of 1961, as amended, 22 U.S.C. § 2221.

and livelihood opportunities so that Palestinian refugees could meet their basic needs—and support programs that promote Palestinian rights.

(U) IOM Awards

(U) IOM, which is a UN organization, is present in 172 countries and promotes humane and orderly migration across the world. IOM works with governments, migrants, affected populations, and other partners to achieve its objectives, which include saving lives and protecting migrants; driving solutions to displacement; and facilitating pathways to regular migration.[22]

(U) OIG selected two IOM awards to review. Specifically, in FY 2024, PRM awarded $115.4 million to IOM to enhance health capacity and infrastructure in Gaza and the West Bank. In addition, this award included implementation of cash-based interventions, movement assistance for refugees, and the establishment of IOM offices in Gaza. Furthermore, in FY 2025, PRM awarded $3 million to IOM to facilitate the return of vulnerable migrants in Yemen.[23]

(U) UNICEF Awards

(U) UNICEF is present in more than 190 countries and territories to implement lifesaving, life-changing, and life-sustaining programs for children. UNICEF partners with governments to promote policies and services that protect children from violence and abuse, including children residing in areas of conflict or in migration.[24] UNICEF deploys rapid response teams to provide safe water, health care, nutrition, and psychosocial support for children affected by conflict.[25]

(U) OIG selected two UNICEF awards to review. Specifically, in FY 2024, PRM awarded $125 million to UNICEF to provide humanitarian assistance to Palestinians in the West Bank, Gaza, Egypt, Jordan, Lebanon, and Syria. In addition, in FY 2025, PRM awarded $29 million to UNICEF to support humanitarian assistance needs for Syrian refugees and host communities in Lebanon.

(U) Terrorist Financing Risk Assessment and Mitigation

(U) It is essential for the Department to ensure that foreign assistance is not provided to terrorist organizations. The Foreign Affairs Manual (FAM) outlines the Department's requirements for terrorist financing risk assessments and mitigation for all awards, including voluntary contributions to PIOs.[26] Specifically, the FAM identifies factors that can be assessed to determine whether terrorist financing risks exist. These factors include the location of the funded activity and whether it contains a known terrorist presence, as well as the possibility of

[22] (U) IOM, "Who We Are," May 9, 2025, www.iom.int/who-we-are.
[23] (U) PRM terminated the IOM award in Yemen on August 18, 2025, because the bureau assessed that the award no longer advanced agency priorities. On September 24, 2025, PRM deobligated $3 million from the award.
[24] (U) UNICEF, "What We Do," May 6, 2025, www.unicef.org/what-we-do.
[25] (U) UNICEF, "What UNICEF Does," May 7, 2025, www.unicefusa.org/what-unicef-does/emergency-response.
[26] (U) 2 FAM 050, "Terrorist Financing: Assessing Risk and Risk Mitigation Measures."

the funding or resource being easily diverted to or benefiting a terrorist group.[27] The Under Secretary for Management is responsible for the maintenance and publication of the Department's terrorist financing risk assessment and mitigation policies included in the FAM.

(U) The FAM requires that Assistant Secretaries ensure that bureaus implement appropriate measures and make adjustments, where necessary, to mitigate specific terrorist financing risks for all Department-funded programs.[28] The FAM acknowledges that appropriate risk mitigation measures depend on bureau risk assessments, which should be revisited when there is a significant change to program activities, context in-country, or other factors relevant to the assessed level of terrorist financing risk.[29] Examples of terrorist financing risk mitigation measures include the following:

- (U) Screening procedures using federal sanctions lists.
- (U) Counterterrorism namecheck vetting (CT vetting).
- (U) Award provisions requiring financial and programmatic reporting, audits, or other financial controls.[30]

(U) PRM-specific policies and procedures state that staff should perform independent terrorist financing risk assessments for voluntary contributions to PIOs prior to award obligation.[31] These independent assessments should be informed by PIO-identified risks and mitigation measures, as well as consultation with regional bureaus and other U.S. government organizations. In addition, PRM staff are responsible for analyzing risks and identifying mitigation measures using judgment, foreign policy objectives, and Department regulations and guidance. After a voluntary contribution is awarded, PRM is responsible for monitoring risks through regular meetings with funded partners, partner report reviews, and ongoing operating environment analyses.

(U) Standards for Internal Control in the Federal Government

(U) The Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* establishes a comprehensive framework for designing, implementing, and maintaining effective internal control systems across federal entities.[32] These standards state that management must proactively assess risks in response to changing internal and external conditions. Specifically, when changes occur—such as shifts in operations, regulations, or

[27] (U) 2 FAM 055(b), "Terrorist Financing Risk Assessment."
[28] (U) 2 FAM 054(a)(2), "Roles and Responsibilities."
[29] (U) 2 FAM 055(c), "Terrorist Financing Risk Assessment" and 2 FAM 056(a), "Terrorist Financing Risk Mitigation."
[30] (U) 2 FAM 057, "Basic Risk Mitigation Procedures," and 2 FAM 058, "Additional Risk Mitigation Measures and Procedural Protections."
[31] (U) PRM, SOP 4 - Risk Content, Annex 2.14, "PRM Risk Management Best Practices," (February 2025), and Annex 2.15, "PRM Material Support Risk Assessments."
[32] (U) Government Accountability Office, *Standards for Internal Control in the Federal Government*, page 1 (GAO-14-704G, September 2014). Appendix A of this report provides additional details related to the internal controls that OIG tested during this audit.

technology—management is expected to identify and analyze any new or evolving risks and determine whether existing risk responses remain adequate or require revision.[33]

(U) To maintain the effectiveness of the internal control system, management must evaluate the impact of changes and implement timely updates.[34] This includes designing and executing control activities—defined as the policies, procedures, techniques, and mechanisms that help ensure that directives are carried out.[35] Furthermore, the standards require that management establish and operate monitoring activities to assess the performance of the internal control system. These activities should include both ongoing monitoring, which is integrated into day-to-day operations, and separate evaluations conducted periodically. In addition, management is responsible for documenting identified internal control issues, determining whether controls adequately address those issues, and modifying controls as necessary.[36]

(U) AUDIT RESULTS

(U) Finding A: PRM Did Not Develop and Implement Appropriate Terrorist Financing Risk Mitigation Measures

(U) OIG found that 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 7, 2023, attack by Hamas. 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 October 7th 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, such as CT vetting, could be applied to sub-recipients[37] and beneficiaries of awards to PIOs. In addition, OIG determined that PRM relied on mitigation measures implemented by the PIOs without performing additional independent validation or verification of the steps taken. 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.

[33] (U) Ibid., pages 42-43.
[34] (U) Ibid., page 43.
[35] (U) Ibid., page 45.
[36] (U) Ibid., pages 65-68.
[37] (U) For the purposes of this report, OIG used the term sub-recipients to refer to contractors, nongovernmental organizations, and other entities that receive PRM funding from PIOs to provide humanitarian assistance.

(U) As a result, in accordance with the Inspector General Act, as amended,[38] OIG is recommending that up to $379.1 million awarded to UNRWA, IOM, and UNICEF for the voluntary contributions included in this audit be put to better use.[39] Specifically, PRM potentially put at risk or mismanaged [40] $109.7 million by providing funds to UNRWA without making changes to terrorist financing risk mitigation measures, which the October 7th attack had proven to be ineffective. In addition, PRM did not have sufficient assurance that funds provided to IOM and UNICEF after the attack would be appropriately protected and as a result, potentially put at risk or mismanaged $81.4 million by prematurely disbursing funds to IOM and $18 million to UNICEF. Finally, as of July 2025, $170 million was available to be expended on the three awards to IOM and UNICEF, which remained 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 application of terrorist financing risk mitigation measures.

(U) PRM Did Not Modify Terrorist Financing Risk Mitigation Measures for UNRWA Awards Following the Hamas Attack

(U) Department guidance states that risk assessments should be revisited whenever there is a significant change to or expansion of program activities, the in-country context, or other factors that affect the assessed level of risk.[41] PRM-specific guidance [42] builds on this by identifying circumstances that are considered significant changes and the types of information that should be assessed in terrorist financing risk assessments. According to PRM guidance, staff are required to update terrorist financing risk assessments when the following occur:

- ~~(SBU)~~ (b) (5) [redacted]
- ~~(SBU)~~ (b) (5) [redacted]
- ~~(SBU)~~ (b) (5) [redacted]

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[38] (U) The Inspector General Act of 1978, as amended, defines "recommendation that funds be put to better use" as a recommendation that funds could be used more efficiently if management of an establishment takes actions to implement and complete the recommendation. 5 U.S.C. § 405(a)(5).

[39] (U) Note that the recoverability or re-usability of funds is not a consideration in the identification of "funds put to better use." The Council of Inspectors General for Integrity and Efficiency's *Toolkit for Identifying and Reporting Monetary Impact* (June 18, 2024), notes that "The funds put to better use category is broad in scope. . . . This can include areas such as improving organizational or program efficiency, reducing operational costs, eliminating waste, and increasing revenue. In such instances, the recovery of any amount an OIG has identified as waste may not be possible."

[40] (U) GAO's *Government Auditing Standards*, page 187 (GAO-21-368G, April 2021), states that "waste can include activities that do not include abuse and does not necessarily involve a violation of law. Rather, waste relates primarily to mismanagement, inappropriate actions, and inadequate oversight."

[41] (U) 2 FAM 055(c).

[42] (U) PRM, SOP 4 - Risk Content.

(U) In addition, the guidance requires that the updated terrorist financing risk assessments include risk levels, risk mitigation measures, and a description of how PRM will monitor identified risks.

~~(SBU)~~ OIG reviewed the four terrorist financing risk assessments of UNRWA that PRM completed before and after the October 7th attack. PRM performed two of the assessments prior to October 7, 2023, as part of the bureau's standard review process, and the other two following October 7, 2023, before obligating additional funds. Although PRM guidance states that one reason for reassessing terrorist financing risk is "risk context" changes—including significant elevated conflict—OIG found that PRM did not initiate reassessments in response to the change in risk context. Rather, PRM conducted its reassessments after the October 7th attack (1) in response to UNRWA's October 2023 flash appeal for emergency funding in Gaza,[43] (b) (5) [redacted] and (2) to address gaps in program funding that UNRWA communicated to PRM in December 2023.

~~(SBU)~~ OIG compared the pre- and post-October 7th attack assessments and found that PRM determined that the terrorist financing risk level (b) (5) [redacted] before and after October 7, 2023. For example, OIG found that after the attack, PRM officials documented concerns (b) (5) [redacted] in its December 2023 assessment.

(U) OIG found that despite the October 7th attack,[44] PRM did not make changes to the terrorist financing risk mitigation measures in either of the assessments conducted after October 7, 2023. The mitigation measures included the following:

- (U) Bureau screening procedures designed to identify potential terrorist organization affiliations.
- (U) Periodic engagements and discussions with UNRWA.
- (U) Award provisions intended to prohibit terrorist financing.
- (U) Desk reviews.[45]
- (U) Re-scoping of award activities.[46]

[43] (U) UNRWA, "UNRWA Flash Appeal: 90 day Initial Emergency Response to the Escalation in the Gaza Strip," October 10, 2023. This flash appeal sought $104 million to meet immediate food, non-food, health, shelter, and protection needs of up to 500,000 people.

[44] (U) For many years prior to the October 7th attack, there were media reports alleging that members of Hamas worked for UNRWA.

[45] (U) According to PRM officials, a desk review includes reviewing partner program, financial, and organizational annual reports; ensuring the use of monitoring tools and information sharing; and conducting regular meetings with partners.

[46] ~~(SBU)~~ PRM identified re-scoping of award activities as a terrorist financing risk mitigation measure for 2 of the 4 UNRWA risk assessments. For example, (b) (5) [redacted]

~~(SBU)~~ Despite not enacting any changes to its terrorist financing risk mitigation measures, PRM continued to obligate and disburse funds for UNRWA following the October 7th attack. PRM officials told OIG that (b) (5) [redacted][47] Officials from the Department's Office of the Legal Adviser confirmed (b) (5) [redacted] However, officials from the Office of the Legal Adviser stated that bureau officials are still required to follow the Department's terrorist financing risk assessment and mitigation policies before providing foreign assistance funds.

(U) According to PRM officials, PRM initiated another reassessment in December 2023 to identify additional mitigation measures and include detailed information gathered after the October 7th attack. PRM officials told OIG that the bureau was still completing the December 2023 assessment when the Department suspended funding for UNRWA in January 2024.[48] PRM officials said that they never finalized the reassessment because of the funding suspension and ultimate halting of funding for UNRWA in February 2025.[49]

(U) Although PRM should have taken additional steps to mitigate terrorist financing risks associated with the UNRWA awards, which the October 7th attack proved to be ineffective, OIG is not offering UNRWA-specific recommendations in this report. Instead, OIG offers recommendations to address underlying systemic causes that contributed to PRM continuing to provide funding to UNRWA without fully accounting for the October 7th attack in its risk assessment.[50] Those recommendations are intended to prevent a similar situation from occurring in future awards for foreign assistance.

(U) PRM Identified, But Did Not Effectively Implement, Additional Terrorist Financing Risk Mitigation Measures for IOM and UNICEF Awards

(U) According to the FAM, Department bureaus must consider whether additional terrorist financing risk mitigation measures, such as restrictive clauses in award provisions and CT vetting of sub-recipients or beneficiaries, should apply based on the specific risks identified in the program.[51]

(U) OIG reviewed five terrorist financing risk assessments for IOM and UNICEF that PRM prepared before and after the October 7th attack. OIG found that after October 7, 2023, PRM identified additional terrorist financing risk mitigation measures for IOM and UNICEF. Specifically, during PRM's assessment of proposed funding to IOM and UNICEF for humanitarian

[47] ~~(SBU)~~ (b) (5) [redacted]

[48] (U) Department Press Statement, "Statement on UNRWA Allegations," January 26, 2024.

[49] (U) Executive Order 14199, Withdrawing the United States from and Ending Funding to Certain United Nations Organizations and Reviewing United States Support to All International Organizations, February 4, 2025.

[50] (U) See Recommendation 7 and Recommendation 8 of this report.

[51] (U) 2 FAM 058.

assistance to Palestinians and Syrian refugees in Lebanon, the bureau added new mitigations that it did not previously identify. PRM added the new mitigation measures despite the terrorist financing risk remaining generally the same before and after October 7, 2023. PRM's additional measures included award provisions that required PRM's pre-approval of sub-recipients that would receive Department funding, screening federal sanctions lists, and CT vetting. Table 1 compares the key terrorist financing risk mitigation measures for IOM and UNICEF before and after the October 7th attack.

(U) Table 1: Comparison of PRM's Terrorist Financing Risk Mitigation Measures for IOM and UNICEF

(U) Mitigation Measure	(U) Before October 7, 2023	(U) After October 7, 2023
(U) Dialogue with PIO partners regarding risk management	✓	✓
(U) Regular meetings with PIOs to discuss oversight compliance and risk management mechanisms	✓	✓
(U) Award provisions for pre-approval of PIO sub-recipients[a]	✗	✓
(U) Monitoring award activities	✗	✓
(U) Rescoping award activities	✗	✓
(U) Screening federal sanctions list	✗	✓
(U) CT vetting[b]	✗	✓

[a] (U) After October 7, 2023, this measure was only applied to award activities in the West Bank and Gaza.
[b] (U) PRM implemented CT vetting for IOM and UNICEF after it approved the awards in July and September 2024, respectively. The other terrorist financing risk mitigation measures were included in the terrorist financing risk assessments prior to award approval.
(U) Source: Generated by OIG from information provided by PRM as of July 2025.

(U) In addition, despite identifying multiple new mitigation measures, OIG found that PRM implemented only the "pre-approval of award sub-recipients" mitigation measure to awards performed in the West Bank and Gaza. Specifically, the award provisions stated that "PRM must approve in advance any infrastructure renovation projects, subawards or subcontracts for activities carried out inside Gaza or the West Bank that would be paid in whole or in part with PRM funding."[52] According to PRM officials, the award provisions were included as an additional terrorist financing risk mitigation measure for PIO activities in the West Bank and Gaza in response to the October 7th attack.

(U) Moreover, OIG found that PRM did not complete the new screening and CT vetting mitigation measures for proposed sub-recipients in the West Bank and Gaza before providing

[52] (U) Department, U.S. Department of State Award Specifics for PIOs – SPRMCO24VC0346, September 2024.

funds to IOM and UNICEF. PRM used the System for Award Management (SAM.gov) [53] and Department of the Treasury, Office of Foreign Assets Control's Sanctions List [54] to perform screening of proposed sub-recipients. However, PRM did not begin implementing screening procedures for proposed IOM and UNICEF sub-recipients in the West Bank and Gaza against federal sanctions lists until February 2025—8 months after approving the mitigation measure. According to PRM officials, as of May 2025, the bureau was still in the process of screening the sub-recipients and did not specify a timeframe for completion.

(U) Similarly, OIG found that PRM did not complete the CT vetting process [55] for proposed sub-recipients in the West Bank and Gaza before making payments to IOM and UNICEF.[56] From March to June 2025, PRM submitted requests to vet a total of 41 unique IOM and UNICEF proposed award sub-recipients.[57] Department vetting officials stated that as of July 2025, of the 41 sub-recipients, 22 (54 percent) were in the process of submitting information to the Department to be vetted, 1 (2 percent) was in the process of being vetted, and 18 (44 percent) had completed the CT vetting process and received vetting results. Figure 3 shows a breakdown of the status of PRM's CT vetting requests for proposed IOM and UNICEF sub-recipients in the West Bank and Gaza.

[53] (U) SAM.gov is the official U.S. government website for entities, including potential federal assistance awardees, to register to do business with the U.S. government. The site can be used to determine whether an entity is excluded, suspended, or debarred from receiving federal grants, contracts, or other forms of federal financial assistance.

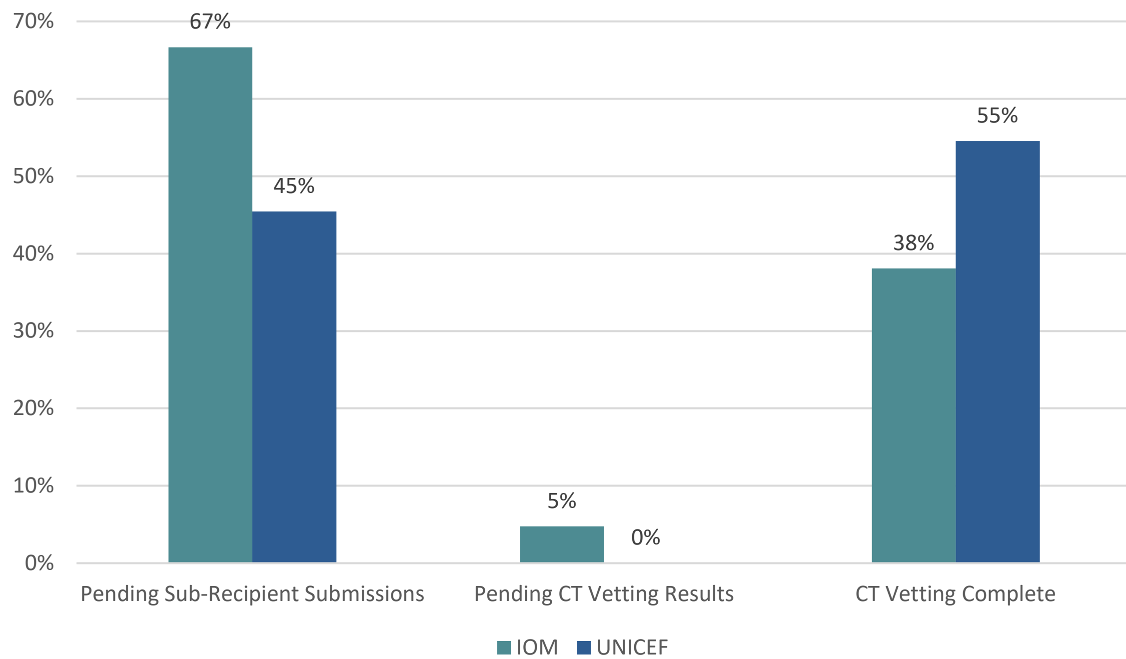
[54] (U) The Department of the Treasury, Office of Foreign Assets Control's Sanctions List is a compilation of individuals, groups, and entities that are subject to U.S. economic and trade sanctions due to their affiliations with targeted foreign jurisdictions and regimes, terrorist organizations, and other threats to U.S. national security, foreign policy, and the economy. The list can be used to determine whether an individual, group, or entity is sanctioned from transactions with U.S. citizens, permanent residents, entities, and other individuals in the United States.

[55] (U) According to the FAM, the Bureau of Administration's Risk Analysis and Management (RAM) Office is the only entity authorized to conduct CT vetting within the Department. RAM conducts CT vetting of U.S. citizens, U.S. legal permanent residents, and foreign nationals once Department bureaus submit information about the vetted award(s) to RAM. RAM provides the results of the CT vetting process to the requesting bureau that is responsible for determining whether to proceed with the award.

[56] (U) In accordance with the FY 2026 Work Plan, OIG is planning an *Audit of Department of State Counterterrorism Vetting*. The preliminary objective of this audit is to determine whether the Department designed its risk-management and counterterrorism vetting procedures to prevent terrorist organizations from benefiting from U.S. foreign assistance funds.

[57] (U) IOM submitted 21 proposed sub-recipients for vetting and UNICEF submitted 22 proposed sub-recipients for vetting. The sub-recipients included 2 duplicate entities, resulting in 41 unique IOM and UNICEF sub-recipients.

(U) Figure 3: Status of PRM CT Vetting Requests for Proposed IOM and UNICEF Sub-Recipients in the West Bank and Gaza as of July 2025



(U) Source: Generated by OIG from information provided by the Department as of July 2025.

(U) OIG found that despite PRM not completing the screening and CT vetting process for all proposed sub-recipients to identify potential affiliations with terrorist organizations, their members, or their supporters, PRM had disbursed \$81.4 million to IOM and \$18 million to UNICEF by July 2025. Therefore, to reduce the risk that IOM and UNICEF may distribute PRM funds to potentially ineligible sub-recipients, OIG offers the following recommendations:

> **Recommendation 1:** (U) OIG recommends that the Bureau of Population, Refugees, and Migration update the terms and conditions of voluntary contribution SPRMCO24VC0086, awarded to the International Organization for Migration, and voluntary contributions SPRMCO24VC0346 and SPRMCO25VC0023, awarded to the United Nations Children's Fund, with provisions for obtaining pre-approval of sub-recipients in all locations with increased terrorist financing risks.
>
> **(U) Management Response:** The Senior Official performing the duties of the Under Secretary for Foreign Assistance, Humanitarian Affairs, and Religious Freedom, responding on PRM's behalf, concurred with the recommendation. The Senior Official stated that "PRM has had sub-recipient pre-approval procedures for [PIO] awards operating in the West Bank and Gaza in place since June 2025." The Senior Official also stated that the Office of the Under Secretary for Foreign Assistance, Humanitarian Affairs, and Religious Freedom "will consider updating internal procedures to expand sub-recipient vetting of PIO implementers in other locations of increased terrorist financing risks if warranted by terrorist financing risk assessments for each award."

(U) OIG Reply: Based on the Senior Official performing the duties of the Under Secretary for Foreign Assistance, Humanitarian Affairs, and Religious Freedom's concurrence with the recommendation and planned actions, OIG considers this recommendation resolved, pending further action. The recommendation will be closed when OIG receives documentation demonstrating that the Department updated the terms and conditions of voluntary contribution SPRMCO24VC0086, awarded to IOM, and voluntary contributions SPRMCO24VC0346 and SPRMCO25VC0023, awarded to UNICEF, with provisions for obtaining pre-approval of sub-recipients in all locations with increased terrorist financing risks.

Recommendation 2: (U) OIG recommends that the Bureau of Population, Refugees, and Migration screen all proposed sub-recipients of voluntary contribution SPRMCO24VC0086, awarded to the International Organization for Migration, and voluntary contributions SPRMCO24VC0346 and SPRMCO25VC0023, awarded to the United Nations Children's Fund, against the System for Award Management's Excluded Parties List System and the Department of the Treasury, Office of Foreign Assets Control's Sanctions List before disbursing any additional funds.

(U) Management Response: The Senior Official performing the duties of the Under Secretary for Foreign Assistance, Humanitarian Affairs, and Religious Freedom, responding on PRM's behalf, concurred with the recommendation. The Senior Official stated that "PRM has already completed [the screening] process for all sub-recipients. DHR will continue to do so for any newly proposed sub-recipients."

(U) OIG Reply: Based on the Senior Official performing the duties of the Under Secretary for Foreign Assistance, Humanitarian Affairs, and Religious Freedom's concurrence with the recommendation and the description of actions taken and planned, OIG considers this recommendation resolved, pending further action. The recommendation will be closed when OIG receives documentation demonstrating that PRM screened all proposed sub-recipients of voluntary contribution SPRMCO24VC0086, awarded to IOM, and voluntary contributions SPRMCO24VC0346 and SPRMCO25VC0023, awarded to UNICEF, against the System for Award Management's Excluded Parties List System and the Department of the Treasury, Office of Foreign Assets Control's Sanctions List before disbursing any additional funds.

Recommendation 3: (U) OIG recommends that the Bureau of Population, Refugees, and Migration complete the counterterrorism namecheck vetting process for all proposed sub-recipients of voluntary contribution SPRMCO24VC0086, awarded to the International Organization for Migration, and voluntary contributions SPRMCO24VC0346 and SPRMCO25VC0023, awarded to the United Nations Children's Fund, before disbursing any additional funds.

(U) Management Response: The Senior Official performing the duties of the Under Secretary for Foreign Assistance, Humanitarian Affairs, and Religious Freedom, responding on PRM's behalf, concurred with the recommendation. The Senior Official stated that as of June 2025, "PRM completed namecheck vetting for all sub-recipients before disbursing any additional funds."

(U) OIG Reply: Based on the Senior Official performing the duties of the Under Secretary for Foreign Assistance, Humanitarian Affairs, and Religious Freedom's concurrence with the recommendation and the description of actions taken, OIG considers this recommendation resolved, pending further action. As noted in the finding, PRM disbursed $81.4 million to IOM and $18 million to UNICEF by July 2025 even though PRM had not completed the CT vetting process for 23 of 41 unique IOM and UNICEF proposed sub-recipients. However, OIG acknowledges that the CT vetting process may have been completed for proposed IOM and UNICEF sub-recipients before additional funds were disbursed. The recommendation will be closed when OIG receives documentation demonstrating that PRM completed the CT vetting process for all proposed sub-recipients of voluntary contribution SPRMCO24VC0086, awarded to IOM, and voluntary contributions SPRMCO24VC0346 and SPRMCO25VC0023, awarded to UNICEF, before disbursing any additional funds.

(U) PRM Guidance and Internal Controls for Mitigating Terrorist Financing Risks in PIO Awards Were Insufficient

(U) According to GAO's *Standards for Internal Control in the Federal Government*, management must evaluate the impact of changes on the control environment and implement timely updates, which include updates to the design and execution of control activities, such as policies and procedures.[58] However, PRM did not develop and implement appropriate terrorist financing risk mitigation measures for PIO awards following the October 7th attack, at least in part, because PRM did not have sufficient guidance and internal controls in place for terrorist financing risk mitigation of PIO awards. For example, PRM established procedures for screening UNRWA sub-recipients receiving $10,000 or more against SAM.gov's Excluded Parties List System but did not apply the procedures to other PIO sub-recipients, such as IOM and UNICEF. In addition, these procedures did not include the use of CT vetting for UNRWA sub-recipients.

~~(SBU)~~ PRM officials told OIG that they were unaware that certain mitigation measures, such as CT vetting, could be applied to sub-recipients and beneficiaries of awards to PIOs. Following OIG's initial inquiry into PRM's terrorist financing risk management process, PRM issued new standard operating procedures in February 2025 with requirements to screen and vet PIO sub-recipients in the West Bank and Gaza.[59] Specifically, the procedures focused on requirements for PRM staff to periodically screen these PIO sub-recipients against federal sanctions lists from SAM.gov and the Office of Foreign Assets Control's Sanctions List. In addition, the updated procedures included requirements for PRM staff to initiate CT vetting for these PIO sub-recipients (b) (5) [redacted] in the West Bank and Gaza. OIG found that although PRM expanded the new procedures to apply the use of screening and CT vetting

[58] (U) GAO-14-704G, pages 42-44.

[59] (U) PRM, "Partner Screening Standard Operating Procedures for West Bank/Gaza Awards," February 3, 2025.

to PIO sub-recipients, the procedures were limited to sub-recipients in the West Bank and Gaza and did not apply to other high-risk locations with significant terrorist financing risks.

(U) In addition, PRM's February 2025 procedures stated that its staff would use the results of the screening and CT vetting procedures to approve the selection of PIO sub-recipients before the PIOs provided funds to the sub-recipients. As previously reported, OIG determined that PRM did not complete screening and CT vetting procedures for IOM and UNICEF sub-recipients as of July 2025. Despite the requirements, OIG confirmed that PRM still disbursed funds to IOM and UNICEF.

(U) When OIG asked PRM officials why the bureau made payments to the PIOs before completing the screening and CT vetting of sub-recipients, the officials stated that they did not believe that pre-vetting was necessary because the sub-recipients received items and not cash. However, as stated in the FAM, funds, goods, services, and activities can all be diverted to terrorist groups, their members, or their supporters.[60] Therefore, mitigation measures such as screening and CT vetting would still be appropriate for mitigating terrorist financing risks related to those PIO sub-recipients. Furthermore, PRM officials stated that although the award provisions required that subawards must be approved in advance, "the provisions did not explicitly state that the PIO cannot spend the money."

(U) Therefore, to enhance the effectiveness of PRM terrorist financing risk mitigation measures for all PIO awards, OIG offers the following recommendations:

> **Recommendation 4:** (U) OIG recommends that the Bureau of Population, Refugees, and Migration (PRM) update its policies and procedures to require PRM pre-approval of public international organization sub-recipients in all locations with increased terrorist financing risks.
>
> **(U) Management Response:** The Senior Official performing the duties of the Under Secretary for Foreign Assistance, Humanitarian Affairs, and Religious Freedom, responding on PRM's behalf, did not concur with the recommendation. The Senior Official stated that "PRM continues to use individualized risk assessments of each implementer and location to determine where the risk of terrorist financing is high enough that pre-approval of sub-recipients is a necessary mitigation strategy." The Senior Official also stated that requiring pre-approval of sub-recipients in all locations with increased terrorist financing risks is "too broad and does not take into account other risk and mitigation factors, nor does it consider the intended implementer."
>
> **(U) OIG Reply:** Even though the Senior Official performing the duties of the Under Secretary for Foreign Assistance, Humanitarian Affairs, and Religious Freedom did not concur with OIG's recommendation, OIG considers the recommendation resolved, pending further action, based on the information provided. OIG revised the recommendation that was included in a draft of this report to clarify that PRM should

[60] (U) 2 FAM 055(a).

require pre-approval of sub-recipients for PIO awards, which was the focus of this report, not for all awards.

(U) In addition, OIG acknowledges that PRM has standard operating procedures requiring individualized award risk assessments and mitigation measures for each implementer and location. Consistent with 2 FAM 058, the pre-approval of sub-recipients is an additional measure that PRM may implement to mitigate terrorist financing risks of a particular award. However, as noted in the Audit Results section of this report, OIG found that the scope of PRM's February 2025 standard operating procedures was limited to PIO sub-recipients in the West Bank and Gaza and did not address other high-risk locations with comparable terrorist financing risk levels for the selected IOM and UNICEF awards. The recommendation will be closed when OIG receives documentation demonstrating that PRM updated its policies and procedures to require PRM pre-approval of PIO sub-recipients in all locations with increased terrorist financing risks.

Recommendation 5: (U) OIG recommends that the Bureau of Population, Refugees, and Migration update its policies and procedures to require the completion of screening and counterterrorism namecheck vetting of sub-recipients prior to making payments to public international organizations for activities to be performed by sub-recipients in all locations with increased terrorist financing risks.

(U) Management Response: The Senior Official performing the duties of the Under Secretary for Foreign Assistance, Humanitarian Affairs, and Religious Freedom, responding on PRM's behalf, did not concur with the recommendation. The Senior Official stated that "PRM already requires preapproval of sub-recipients of PIOs in certain high-risk situations before those sub-recipients may receive any funds." The Senior Official noted that other work that the PIO is doing may warrant payment of part of the award unrelated to sub-recipients (i.e., payment of staff salaries, monitoring and evaluation, direct service provisions, and procurement). Furthermore, the Senior Official stated that "not all PIO awards are in areas at high risk for terrorist financing. [Therefore,] PRM will look individually at each award's specific risk context to determine the appropriate strategy."

(U) OIG Reply: Even though the Senior Official performing the duties of the Under Secretary for Foreign Assistance, Humanitarian Affairs, and Religious Freedom did not concur with this recommendation, OIG considers this recommendation resolved, pending further action, based on the information provided. OIG revised the recommendation that was included in a draft of this report to clarify that PRM should complete screening and CT vetting of sub-recipients before PIO payments are made for sub-recipient activities that are performed in locations with increased terrorist financing risks, rather than any PIO activity. This recommendation will be closed when OIG receives documentation demonstrating that PRM updated its policies and procedures to require the completion of screening and CT vetting of sub-recipients prior to making payments to PIOs for activities performed by sub-recipients in all locations with increased terrorist financing risks.

(U) PRM Relied on PIO-Implemented Terrorist Financing Risk Mitigation Measures Without Independent Validation or Verification

(U) GAO requirements state that "management should establish and operate monitoring activities to monitor the internal control system and evaluate the results." Furthermore, management should monitor the internal control system through ongoing monitoring, that is built into the entity's operations, performed continually, and responsive to change, and separate evaluations.[61]

(U) OIG determined that PRM assessed lower levels of terrorist financing risks by relying on PIO-implemented mitigation measures but did not independently validate or verify that the mitigation measures functioned as expected. Specifically, for IOM and UNICEF, PRM assessed that PRM's "partners have robust policies and procedures in place to mitigate the risk of providing funding or support to terrorists and sanctioned actors."[62] In addition, PRM officials stated that PRM's partners would vet all vendors. Furthermore, IOM and UNICEF agreed to Department award terms and conditions, which state that "the Recipient undertakes to use reasonable efforts to ensure that none of the [funds] provided under this award are used to provide support to individuals or entities associated with terrorism."[63] However, OIG reviewed PRM documentation and found multiple instances in which PRM accepted emails and other testimonial evidence from PIOs as support of implementation without independently evaluating or reviewing supporting documentation from IOM and UNICEF.

(U) For example, in June 2024, during a pre-award discussion, IOM informed PRM that it planned to rely on the former U.S. Agency for International Development's Bureau for Humanitarian Assistance portal to vet proposed sub-recipients. However, PRM did not request any documentation from IOM to support this statement. In June 2025, OIG found that the Bureau of Administration's Risk Analysis and Management (RAM) Office identified potentially derogatory information related to a proposed IOM sub-recipient on one PRM-funded award. OIG reviewed the derogatory information provided by RAM and determined that the U.S. Agency for International Development had designated the sub-recipient as ineligible for federal funding in September 2018. OIG concluded that the proposed sub-recipient would have been identified as an ineligible entity if IOM had completed its proposed sub-partner vetting procedures. Despite IOM's statement that it screened its sub-recipients, the ineligible entity was submitted as a potential sub-recipient to PRM. This example demonstrates that it is essential for PRM to validate and verify PIO implementation of terrorist financing risk mitigation

[61] (U) GAO-14-704G, page 65.
[62] (U) PRM, "Attachment 4b - Risk Based Assessment of Terrorist Financing and Other Risks Posed by Humanitarian Assistance to Palestinians (PPRC 2024-EUR-NEA-18): Egypt, Jordan, Lebanon, & Cyprus," June 2024, and "Attachment 4B - Risk-Based Assessment of Terrorist Financing and Other Risks Posed by Humanitarian Assistance to Palestinians (PPRC 2024-EUR-NEA-21): Egypt, Jordan, and Lebanon," September 2024.
[63] (U) Department, Terms and Conditions for Award Numbers SPRMCO24VC0086 and SPRMCO24VC0346, July and September 2024.

measures to ensure that no voluntary contributions to PIOs benefit terrorist organizations, their members, or their supporters.[64]

(U) OIG reviewed PRM's policies and procedures and found that they did not include specific requirements for PRM staff to validate and verify PIO-implemented terrorist financing risk mitigation measures. In November 2024, PRM finalized its Risk Monitoring Guidance, which provides staff with a suggested list of questions for partners during monitoring site visits, desk monitoring meetings, and discussions in preparation for drafting risk assessments. However, the guidance did not prompt PRM staff to collect documentation supporting PIO-implemented terrorist financing risk mitigation measures. Therefore, to improve PRM oversight of PIO-implemented terrorist financing risk mitigation measures, OIG offers the following recommendation:

> **Recommendation 6:** (U) OIG recommends that the Bureau of Population, Refugees, and Migration (PRM) develop, implement, and communicate a process requiring PRM officials to validate and verify public international organization implementation of terrorist financing risk mitigation measures, to include reviewing supporting documentation.
>
> **(U) Management Response:** The Senior Official performing the duties of the Under Secretary for Foreign Assistance, Humanitarian Affairs, and Religious Freedom, responding on PRM's behalf, did not concur with the recommendation. The Senior Official stated that PRM and other bureaus that report to the Under Secretary for Foreign Assistance, Humanitarian Affairs, and Religious Freedom "only deal with certain PIOs." The Senior Official suggested addressing the recommendation to the Under Secretary for Management, Executive Office for Management. The Senior Official also stated that PRM's standard operating procedures already reflect a targeted, risk-based approach that complies with the FAM and 2 CFR 200. Furthermore, the Senior Official stated that "PRM institutional leads work with relevant PIOs to understand, verify, and improve terrorist financing risk mitigation efforts, and U.S. participation in multilateral governing bodies includes regular review and approval of PIO enterprise risk frameworks and oversight of PIO investigative mechanisms."
>
> **(U) OIG Reply:** Even though the Senior Official performing the duties of the Under Secretary for Foreign Assistance, Humanitarian Affairs, and Religious Freedom did not concur with the recommendation, OIG considers this recommendation resolved, pending further action, based on the information provided. OIG has included a recommendation (Recommendation 9) related to the development and implementation of updated terrorist financing risk assessment and mitigation policies across all Department bureaus and offices that fund humanitarian assistance activities. This recommendation is related

[64] (U) OIG's *Evaluation of the Department's Efforts To Improve Oversight of Its Funding to International Organizations* (ISP-I-26-02, December 2025) also highlighted issues related to the Department's inconsistent application of oversight provisions to voluntary contribution agreements.

to updating PRM-specific policies and procedures for the validation and verification of PIO-implemented terrorist financing risk mitigation measures.

(U) In addition, during the audit, OIG confirmed that PRM engaged with selected PIOs to obtain pre-award documentation outlining PIO risk management frameworks and planned terrorist financing risk mitigation measures. OIG also found that PRM established new standard operating procedures in February 2025 that included more restrictive requirements for PIO sub-recipients in the West Bank and Gaza. However, as noted in the Audit Results section of this report, existing PRM guidance did not include specific requirements for PRM staff to validate and verify PIO-implemented terrorist financing risk mitigation measures. Instead, PRM officials accepted emails and other testimonial evidence from PIOs as support of implementation, resulting in one PIO's submission of an ineligible sub-recipient for PRM funding. The recommendation will be closed when OIG receives documentation demonstrating that PRM developed, implemented, and communicated a process requiring PRM officials to validate and verify PIO implementation of terrorist financing risk mitigation measures, to include reviewing supporting documentation.

(U) The Department's Terrorist Financing Risk Mitigation Policies Lacked Essential Control Measures

(U) According to GAO, "management analyzes and responds to identified changes and related risks in order to maintain an effective internal control system." In addition, GAO requirements state that management should analyze the effect of those changes on the internal control system and make revisions in a timely manner to maintain effectiveness.[65] However, neither PRM nor Department guidance established requirements for making timely changes to mitigation measures, ensuring mitigation measures were applied to all applicable high-risk locations, or halting award payments due to extraordinary events, such as the October 7th attack. As previously reported, OIG found that PRM did not change its terrorist financing risk mitigation measures for UNRWA awards following October 7, 2023. This occurred, at least in part, because although the FAM requires bureaus to update risk assessments after significant changes or events, it does not specify when those updates and the related mitigation measure revisions must be completed.[66]

(U) Furthermore, the FAM directs bureaus to (1) make every reasonable effort to guard against the risk that U.S. government activities could inadvertently benefit terrorist groups, their members, and their supporters [67] and (2) consider additional risk mitigation measures for programs that involve a higher risk.[68] However, the FAM does not include requirements for bureaus to immediately halt funding until the risk assessments and mitigation measures are updated following a significant change or event, such as the October 7th attack. Instead, each bureau makes decisions regarding halting funding and determining appropriate mitigation

[65] (U) GAO-14-704G, page 43.
[66] (U) 2 FAM 055(c).
[67] (U) 2 FAM 054(a)(1).
[68] (U) 2 FAM 056(d) and 2 FAM 058.

measures at their discretion.[69] As a result, bureaus may continue disbursing funds during periods when risks have increased but mitigation measures have not yet been reassessed or updated, increasing the likelihood that Department funds could inadvertently benefit terrorist groups, their members, or their supporters. Therefore, to further improve the Department's terrorist financing risk mitigation policy, OIG offers the following recommendations:

> **Recommendation 7:** (U) OIG recommends that the Under Secretary for Management, Executive Office for Management update 2 Foreign Affairs Manual 055 to establish clear timeframes for initiating and completing terrorist financing risk assessments following a significant change to or expansion of program activities, the context in-country, or other factors relevant to the assessed level of risk.
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> **(U) Management Response:** The Under Secretary for Management, Executive Office for Management, concurred with the recommendation.
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> **(U) OIG Reply:** Based on the Under Secretary for Management, Executive Office for Management's concurrence with the recommendation, OIG considers the recommendation resolved, pending further action. The recommendation will be closed when OIG receives documentation demonstrating that the Under Secretary for Management, Executive Office for Management, updated 2 FAM 055 to establish clear timeframes for initiating and completing terrorist financing risk assessments following a significant change to or expansion of program activities, the context in-country, or other factors relevant to the assessed level of risk.
>
> **Recommendation 8:** (U) OIG recommends that the Under Secretary for Management, Executive Office for Management, update 2 Foreign Affairs Manual 056 to require bureaus to complete updated terrorist financing risk assessments following a significant change, as defined in 2 Foreign Affairs Manual 055, prior to providing additional funding to public international organizations, to the maximum extent consistent with applicable law.
>
> **(U) Management Response:** The Under Secretary for Management, Executive Office for Management, did not concur with the recommendation as presented in a draft of this report, stating that "[r]equiring a halt to funding to [PIOs] following a significant change is untenable because it could violate the Anti-Impoundment Act [70] depending on the exact timing of any such halt and the duration of the appropriation from which halted funding is derived." The Executive Office for Management also stated that "2 FAM 054(a)(2) already requires Bureau Assistant Secretaries to review programs carefully and, where necessary, make adjustments in order to mitigate risk." The Executive Office for Management requested that OIG remove the recommendation from

[69] (U) 2 FAM 056.

[70] (U) "Congressional Budget and Impoundment Control Act of 1974," Public Law 93-344, as amended, September 30, 2024.

the final report, stating that the Department "has sufficient policies in place to make adjustments, when necessary."

(U) OIG Reply: Even though the Under Secretary for Management, Executive Office for Management, did not concur with the recommendation that was presented in a draft of this report, OIG considers this recommendation resolved, pending further action, based on the information provided. In response to comments from the Under Secretary for Management, Executive Office for Management, OIG revised Recommendation 8 to clarify that any pause in PIO funding would apply only until bureaus complete updated terrorist financing risk assessments and must be implemented in accordance with applicable laws. The recommendation will be closed when OIG receives documentation demonstrating that the Under Secretary for Management, Executive Office for Management, updated 2 FAM 056 with the requirement to complete updated terrorist financing risk assessments following a significant change, as defined in 2 FAM 055, prior to providing additional funding to PIOs, to the maximum extent consistent with applicable law.

Recommendation 9: (U) OIG recommends that the Office of Foreign Assistance Oversight develop and implement a plan requiring all Department of State bureaus that fund humanitarian assistance activities, to apply terrorist financing risk assessment and mitigation policy updates, as identified in Recommendations 4-8 of this report.

(U) Management Response: The Senior Official performing the duties of the Under Secretary for Foreign Assistance, Humanitarian Affairs, and Religious Freedom, responding on behalf of the Office of Foreign Assistance Oversight, did not concur with the recommendation. The Senior Official stated that "[p]olicy authority for the relevant guidance, including 2 FAM 50, 14 FAM 247, and the Secretary's memorandum on West Bank and Gaza, rests with [the Office of the Legal Adviser], [the Bureau of Global Acquisitions], and [the Secretary of State], respectively." The Senior Official also stated that the Office of Foreign Assistance Oversight's Office of Vetting and Accountability "is working with the [Bureau of Administration's] Risk Analysis and Management team to strengthen [CT] vetting and develop a comprehensive vetting framework for foreign assistance programs."

(U) OIG Reply: Even though the Senior Official performing the duties of the Under Secretary for Foreign Assistance, Humanitarian Affairs, and Religious Freedom did not concur with the recommendation, OIG considers this recommendation resolved, pending further action, based on planned action to work with the Bureau of Administration's Risk Analysis and Management team. The Office of Foreign Assistance Oversight's Policy and Program Effectiveness Directorate is responsible for establishing standards and policies that advance effective assistance and ensures oversight and accountability of programs,[71] which includes terrorist financing risk assessment and mitigation efforts. In addition, the recommendation states that the Office of Foreign Assistance Oversight

[71] (U) 25 Department Notice 117895, "Updates: Office of Foreign Assistance Oversight (FAO)," September 11, 2025.

should develop and implement a plan to comply with new policies developed in response to other recommendations, not to develop additional policies. The recommendation will be closed when OIG receives documentation demonstrating that the Office of Foreign Assistance Oversight developed and implemented a plan requiring all Department bureaus that fund humanitarian assistance activities to apply terrorist financing risk assessment and mitigation policy updates, as identified in Recommendations 4–8 of this report.

(U) PRM Disbursed Hundreds of Millions of Dollars After the October 7th Attack Without Appropriate Mitigation Measures

(U) Had PRM developed and implemented robust and effective terrorist financing risk mitigation measures following the Hamas Attack on October 7, 2023, additional funds likely would not have been provided to UNRWA, and the awards for IOM and UNICEF would have had to adhere to the expanded mitigation measures. As such, in accordance with the Inspector General Act, as amended,[72] OIG is recommending that up to $379.1 million awarded to UNRWA, IOM, and UNICEF for the voluntary contributions included in this audit be put to better use.[73]

(U) Specifically, PRM potentially put at risk or mismanaged [74] $109.7 million by providing funds to UNRWA without making changes to terrorist financing risk mitigation measures, which the October 7th attack had proven to be ineffective. In addition, PRM did not have sufficient assurance that funds would be appropriately protected and as a result, potentially put at risk or mismanaged $81.4 million by prematurely disbursing funds to IOM and $18 million to UNICEF after the October 7th attack. Finally, as of July 2025, $170 million was available to be expended on the three awards to IOM and UNICEF, and remained 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.[75] Therefore, OIG offers the following recommendation:

Recommendation 10: (U) OIG recommends that the Bureau of Disaster and Humanitarian Response evaluate the awards and associated amounts identified in

[72] (U) The Inspector General Act of 1978, as amended, defines "recommendation that funds be put to better use" as a recommendation that funds could be used more efficiently if management of an establishment takes actions to implement and complete the recommendation. 5 U.S.C. § 405(a)(5).
[73] (U) Note that the recoverability or re-usability of funds is not a consideration in the identification of "funds put to better use." The Council of Inspectors General for Integrity and Efficiency's *Toolkit for Identifying and Reporting Monetary Impact* (June 18, 2024), notes that "The funds put to better use category is broad in scope. . . . This can include areas such as improving organizational or program efficiency, reducing operational costs, eliminating waste, and increasing revenue. In such instances, the recovery of any amount an OIG has identified as waste may not be possible."
[74] (U) GAO-21-368G, page 187, states that "waste can include activities that do not include abuse and does not necessarily involve a violation of law. Rather, waste relates primarily to mismanagement, inappropriate actions, and inadequate oversight."
[75] (U) PRM terminated the IOM award in Yemen on August 18, 2025, because the bureau assessed that the award no longer advanced agency priorities. On September 24, 2025, PRM deobligated $3 million from the award.

Appendix B, which OIG determined to total $379.1 million in funds to be put to better use, for deobligation, reallocation, or other action as appropriate.

(U) Management Response: The Senior Official performing the duties of the Under Secretary for Foreign Assistance, Humanitarian Affairs, and Religious Freedom, responding on PRM's behalf, concurred with the recommendation. The Senior Official stated that "DHR now manages these awards and will determine whether to deobligate remaining funds . . . based on current risk analyses and policy priorities."

(U) OIG Reply: Based on the Senior Official performing the duties of the Under Secretary for Foreign Assistance, Humanitarian Affairs, and Religious Freedom's concurrence with the recommendation and planned actions, OIG considers this recommendation resolved, pending further action. In response to comments from the Senior Official on a draft of this report, OIG redirected the recommendation from PRM to DHR to reflect the transfer of management responsibility. The recommendation will be closed when OIG receives DHR's conclusions related to its evaluation of the awards and associated amounts identified in Appendix B, which OIG determined to total $379.1 million in funds to be put to better use, for deobligation, reallocation, or other action as appropriate.

(U) RECOMMENDATIONS

Recommendation 1: (U) OIG recommends that the Bureau of Population, Refugees, and Migration update the terms and conditions of voluntary contribution SPRMCO24VC0086, awarded to the International Organization for Migration, and voluntary contributions SPRMCO24VC0346 and SPRMCO25VC0023, awarded to the United Nations Children’s Fund, with provisions for obtaining pre-approval of sub-recipients in all locations with increased terrorist financing risks.

Recommendation 2: (U) OIG recommends that the Bureau of Population, Refugees, and Migration screen all proposed sub-recipients of voluntary contribution SPRMCO24VC0086, awarded to the International Organization for Migration, and voluntary contributions SPRMCO24VC0346 and SPRMCO25VC0023, awarded to the United Nations Children’s Fund, against the System for Award Management’s Excluded Parties List System and the Department of the Treasury, Office of Foreign Assets Control’s Sanctions List before disbursing any additional funds.

Recommendation 3: (U) OIG recommends that the Bureau of Population, Refugees, and Migration complete the counterterrorism namecheck vetting process for all proposed sub-recipients of voluntary contribution SPRMCO24VC0086, awarded to the International Organization for Migration, and voluntary contributions SPRMCO24VC0346 and SPRMCO25VC0023, awarded to the United Nations Children’s Fund, before disbursing any additional funds.

Recommendation 4: (U) OIG recommends that the Bureau of Population, Refugees, and Migration (PRM) update its policies and procedures to require PRM pre-approval of public international organization sub-recipients in all locations with increased terrorist financing risks.

Recommendation 5: (U) OIG recommends that the Bureau of Population, Refugees, and Migration update its policies and procedures to require the completion of screening and counterterrorism namecheck vetting of sub-recipients prior to making payments to public international organizations for activities to be performed by sub-recipients in all locations with increased terrorist financing risks.

Recommendation 6: (U) OIG recommends that the Bureau of Population, Refugees, and Migration (PRM) develop, implement, and communicate a process requiring PRM officials to validate and verify public international organization implementation of terrorist financing risk mitigation measures, to include reviewing supporting documentation.

Recommendation 7: (U) OIG recommends that the Under Secretary for Management, Executive Office for Management update 2 Foreign Affairs Manual 055 to establish clear timeframes for initiating and completing terrorist financing risk assessments following a significant change to or expansion of program activities, the context in-country, or other factors relevant to the assessed level of risk.

Recommendation 8: (U) OIG recommends that the Under Secretary for Management, Executive Office for Management, update 2 Foreign Affairs Manual 056 to require bureaus to complete updated terrorist financing risk assessments following a significant change, as defined in 2 Foreign Affairs Manual 055, prior to providing additional funding to public international organizations, to the maximum extent consistent with applicable law.

Recommendation 9: (U) OIG recommends that the Office of Foreign Assistance Oversight develop and implement a plan requiring all Department of State bureaus that fund humanitarian assistance activities, to apply terrorist financing risk assessment and mitigation policy updates, as identified in Recommendations 4-8 of this report.

Recommendation 10: (U) OIG recommends that the Bureau of Disaster and Humanitarian Response evaluate the awards and associated amounts identified in Appendix B, which OIG determined to total $379.1 million in funds to be put to better use, for deobligation, reallocation, or other action as appropriate.

(U) APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

(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 public international organization (PIO) activities could benefit terrorist groups, their members, or their supporters in the Near East following the October 7, 2023, Hamas attack on Israel.

(U) OIG conducted this audit from April 2025 to April 2026 in the Washington, DC, metropolitan area. The issuance of this report was delayed due to two lapses in appropriations—from October 1, 2025, to November 12, 2025, and from January 31, 2026, to February 3, 2026. The scope of the audit was voluntary contributions from PRM to the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), the International Organization for Migration (IOM), and the United Nations Children's Fund (UNICEF) from October 2023 to March 2025. OIG conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objective. OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objective.

(U) To obtain background information, OIG reviewed requirements outlined in the Foreign Assistance Act of 1961,[1] the Further Consolidated Appropriations Act of 2024,[2] Executive Order 14199,[3] the Department of State's (Department) Foreign Affairs Manual (FAM),[4] and bureau-specific standard operating procedures and guidance.[5] To address the audit objective, OIG obtained and analyzed the terrorist financing risk assessments and other related documentation for selected PRM-funded voluntary contributions to identify PRM's terrorist financing risk mitigation measures. In addition, OIG interviewed officials from PRM, the Bureau of Administration, and the Office of the Legal Adviser to gain an understanding of the advice provided to PRM regarding its terrorist risk financing assessment and mitigation process.

(U) Data Reliability

(U) OIG used computer-processed data provided by PRM to support the findings and conclusions presented in this report. Specifically, PRM provided data related to voluntary contributions awarded to UNRWA, IOM, and UNICEF during the scope period of the audit. PRM officials stated that they compiled this data using three Department systems—MyGrants, the Global Financial Management System, and PRM's Enterprise System. MyGrants is the Department's federal assistance management system for domestic bureaus that is required

[1] (U) Foreign Assistance Act, as amended, 22 United States Code § 2221.
[2] (U) Public Law 118-47, "Further Consolidated Appropriations Act, 2024," March 23, 2024.
[3] (U) Executive Order 14199, Withdrawing the United States From and Ending Funding to Certain United Nations Organizations and Reviewing United States Support to All International Organizations, February 4, 2025.
[4] (U) 2 FAM 050, "Terrorist Financing: Assessing Risk and Risk Mitigation Measures."
[5] (U) PRM, SOP 4 - Risk Content, Annex 2.14, "PRM Risk Management Best Practices" (February 2025), and "Annex 2.15. PRM Material Support Risk Assessments."

when executing and managing federal awards. The Global Financial Management System is the accounting and payment system used to process the Department's financial data. PRM uses PRM's Enterprise System to supplement the award management capabilities of MyGrants and the Global Financial Management System. In addition, PRM's Enterprise System assists the bureau in managing aspects of the award process that cannot be tracked in MyGrants and the Global Financial Management System.

(U) OIG used this information to identify the universe of PRM's voluntary contributions awarded to UNRWA, IOM, and UNICEF during the scope period. OIG tested the PRM-provided data for completeness and accuracy by comparing the data to information in MyGrants. For completeness, OIG compared award numbers and determined that discrepancies were based on how PRM categorized award locations, which did not impact OIG's use of the data. For accuracy, OIG compared the Notice of Award to an Organization Cover Sheet for the six awards selected for review and found no material discrepancies. In addition, OIG assessed the reliability of sampled awards' disbursements by performing electronic testing, consulting with OIG's Office of Investigations, and confirming disbursement totals with PRM officials. Based on the results of testing and other work, OIG determined that the data were sufficiently reliable and appropriate for the purposes of the audit.

(U) Work Related to Internal Control

(U) During the audit, OIG considered a number of factors, including the subject matter of the project, to determine whether internal control was significant to the audit objective. Based on its consideration, OIG determined that internal control was significant for this audit. OIG then considered the components of internal control and the underlying principles included in the *Standards for Internal Control in the Federal Government* [6] to identify internal controls that were significant to the audit objective. Considering internal control in the context of a comprehensive internal control framework can help auditors to determine whether underlying internal control deficiencies exist.

(U) For this audit, OIG concluded that three of five internal control components from the *Standards for Internal Control in the Federal Government* [7]—Risk Assessment, Control Activities, and Monitoring—were significant to the audit objective. The Risk Assessment component assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses. The Control Activities component includes the actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity's information system. The Monitoring component relates to activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews. In addition, OIG concluded that three of the principles related to the selected components were significant to the audit objective, as described in Table A.1.

[6] (U) Government Accountability Office, *Standards for Internal Control in the Federal Government* (GAO-14-704G, September 2014).
[7] (U) Ibid.

(U) Table A.1: Internal Control Components and Principles Identified as Significant

(U) Components	(U) Principles
Risk Assessment	Principle 9 – Management should identify, analyze, and respond to significant changes that could impact the internal control system.
Control Activities	Principle 12 – Management should implement control activities through policies.
Monitoring	Principle 16 – Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.

(U) Source: Generated by OIG from an analysis of internal control components and principles from the Government Accountability Office, *Standards for Internal Control in the Federal Government* (GAO-14-704G, September 2014).

(U) OIG reviewed criteria and interviewed Department officials to gain an understanding of the internal controls related to the components and principles identified as significant for this audit. OIG assessed the design as well as implementation and operating effectiveness, when possible, of key internal controls. Specifically, with respect to risk assessment and monitoring, OIG did the following:

- (U) Reviewed and analyzed PRM's standard operating procedures to determine compliance with FAM requirements to develop terrorist financing risk assessments and execute mitigation measures.
- (U) Determined whether terrorist financing risk levels were assessed during terrorist financing risk assessments.
- (U) Determined whether PRM completed follow-up risk assessment(s), as needed, and whether the level of risk had changed.
- (U) Determined whether terrorist financing risk mitigation measures were developed in instances where risks were identified in the risk assessment.
- (U) Tested PRM's validation and verification of PIO terrorist financing risk mitigation measure activities by reviewing PRM communications with selected PIOs and PRM monitoring site visit reports.

(U) With respect to control activities, OIG did the following:

- (U) Reviewed and analyzed PRM's standard operating procedures for the inclusion of counterterrorism namecheck vetting activities.
- (U) Tested the implementation of PRM's standard operating procedures by reviewing terrorist financing risk assessments to determine whether terrorist financing risk mitigation measures were modified.

(U) Internal control deficiencies identified during the audit that are significant within the context of the audit objective are presented in the Audit Results section of this report.

(U) Sampling Methodology

(U) OIG obtained data on PRM's voluntary contributions to UNRWA, IOM, and UNICEF in the Near East from October 2023 to March 2025, which totaled 31 voluntary contributions valued at $542.7 million. Specifically, PRM awarded the following:

- (U) Three voluntary contributions, valued at $121.6 million, to UNRWA.[8]
- (U) Sixteen voluntary contributions, valued at $172.2 million, to IOM.
- (U) Twelve voluntary contributions, valued at $248.9 million, to UNICEF.

(U) Based on OIG's review of the PRM-provided data, OIG judgmentally selected six voluntary contributions for review. OIG selected the highest-value awards following the October 7th attack—one award each in FY 2024 and FY 2025 for IOM and UNICEF, and two awards in FY 2024 for UNRWA—to assess PRM's terrorist financing risk mitigation efforts.[9] This judgmental sampling approach was appropriate because the audit objective focused on whether PRM implemented appropriate mitigation measures. The selected awards represented 70.41 percent of PRM's total voluntary contributions to UNRWA, IOM, and UNICEF in the Near East for the scope period, as detailed in Table A.2.

(U) Table A.2: Voluntary Contributions OIG Selected for Review

(U) PIO	(U) Fiscal Year	(U) Award Number/ Modification Number	(U) Award Value	(U) Percentage of Total [a]
UNRWA	2024	SPRMCO23VC0024/M005	$51,000,000	9.40
UNRWA	2024	SPRMCO24VC0028	$58,700,000	10.82
IOM	2024	SPRMCO24VC0086	$115,400,000	21.26
IOM	2025	SPRMCO25VC0029	$3,000,000	0.55
UNICEF	2024	SPRMCO24VC0346	$125,000,000	23.03
UNICEF	2025	SPRMCO25VC0023	$29,000,000	5.34
(U) Total			**$382,100,000**	**70.41**

[a] (U) This column identifies the percentage that each award represents of total voluntary contributions that PRM provided to UNRWA, IOM, and UNICEF in the Near East from October 2023 to March 2025.

(U) Source: Generated by OIG from data provided by PRM in February and April 2025.

[8] (U) Because the Department halted UNRWA funding in January 2024, no new voluntary contributions were awarded after that date.

[9] (U) Because the Department did not make any awards to UNRWA in FY 2025, OIG selected two UNRWA awards with the highest value in FY 2024.

(U) Prior Office of Inspector General Reports

(U) Evaluation of the Department's Efforts To Improve Oversight of Its Funding to International Organizations (ISP-I-26-02, December 2025)

(U) OIG reported that of the $9.3 billion provided to international organizations in FY 2024, treaty obligations and UN policies limited the Department's ability to oversee its $3.6 billion in assessed contributions. In addition, OIG reported that although the Department had greater flexibility to include oversight provisions for the remaining $5.7 billion in voluntary contributions, it did not consistently apply such provisions across bureaus or funding mechanisms. OIG made five recommendations, including a recommendation that the Bureau of Global Acquisition review the provisions used for voluntary contributions to international organizations and revise the Federal Assistance Directive to promote greater standardization of the Department's oversight provisions for those funds. As of April 2026, five recommendations remain open, pending further action.

(U) Audit of the Department of State's Humanitarian Response to the Ukraine Crisis (AUD-GEER-24-16, May 2024)

(U) OIG reported that PRM completed a monitoring plan for voluntary contributions, but the plan did not detail specific monitoring activities to be performed and was not tied to PRM's risk assessment for the awards in accordance with Department guidance. In addition, OIG reported that PRM implemented internal controls to manage risk and developed best practices to guide the risk assessment process. PRM completed the required risk assessment for the voluntary contributions awarded; however, OIG found that the risk assessment did not consistently include risk ratings for the risks identified, nor did it explicitly account for risks identified by the PIOs. In addition, OIG reported that PRM did not consistently develop mitigation measures for the risks identified, nor did it ensure mitigation measures identified by the PIOs were implemented in line with best practices. The shortcomings occurred, at least in part, because PRM did not have risk management officials reviewing the risk assessments. Accounting for all identified risks is necessary for developing appropriate risk mitigation plans and guiding PRM award monitoring specific to those risks. OIG made nine recommendations to improve PRM's risk assessment process and the monitoring of awards. As of April 2026, eight recommendations have been implemented and closed and one recommendation remains open, pending further action.

(U) Audit of the Department of State's Risk Assessments and Monitoring of Voluntary Contributions to Public International Organizations (AUD-MERO-21-18, March 2021)

(U) OIG reported that the Department's processes for identifying, assessing, and responding to risks before awarding funds to PIOs need improvement to align with the requirements outlined in the Government Accountability Office's *Standards for Internal Control in the Federal Government*. Specifically, OIG reported that six of the eight Department bureaus failed to formulate specific, measurable objectives for voluntary contributions and assess risk prior to award issuance. In addition, OIG reported that the Department's processes for monitoring voluntary contributions did not adhere to standards and principles. Specifically, OIG reported five of the eight Department bureaus failed to consistently document their monitoring activities and could not demonstrate that award objectives were being actively monitored. OIG made four recommendations, all of which were implemented and closed by November 2021.

(U) Audit of Department of State Foreign Assistance Grants and Cooperative Agreements in Somalia (AUD-MERO-20-45, September 2020)

(U) OIG reported that the Bureau of African Affairs and the Bureau of Counterterrorism did not designate their four awards as high risk even though the awards were implemented in a country where travel was restricted because of political instability and terrorism. This occurred because the Risk Assessment Worksheet weighted country/region-specific risks lower than organizational and programmatic risk. In addition, OIG reported that the Bureau of Counterterrorism did not update risk assessments annually for the two selected awards. Furthermore, OIG reported that the Bureau of African Affairs and the Bureau of Counterterrorism did not (1) establish standard operating procedures or document controls for managing risks, (2) document reviews of performance reports to demonstrate adherence with award terms, or (3) require documentation to be maintained in official award files. This occurred primarily because officials neither followed Department requirements nor effectively used the award file checklist to ensure completeness. OIG made 10 recommendations, all of which were implemented and closed by May 2021.

(U) APPENDIX B: ASSESSMENT OF FUNDS TO BE PUT TO BETTER USE

(U) Table B.1 presents the Office of Inspector General's (OIG) assessment of funds that could be put to better use due to weaknesses OIG identified in the Bureau of Population, Refugees, and Migration's terrorist financing risk mitigation measures. The table outlines the affected public international organizations, the relevant award numbers, and the amounts at risk, offering a concise view of where oversight and controls proved insufficient.

(U) Table B.1: Assessment of Funds Put to Better Use

(U) Public International Organization	(U) Award Number/ Modification Number	(U) Amount of Funds Put to Better Use	(U) Justification for Determination
United Nations Relief and Works Agency for Palestine Refugees in the Near East	SPRMCO23VC0024/M005	$51,000,000	Funds were provided after the October 7, 2023, Hamas Attack on Israel with no changes to terrorist financing risk mitigation measures.
	SPRMCO24VC0028	$58,700,000	
International Organization for Migration	SPRMCO24VC0086	$115,400,000	Incomplete screening and counterterrorism namecheck vetting provided insufficient assurance that the funds would be appropriately protected.
United Nations Children's Fund	SPRMCO24VC0346	$125,000,000	Incomplete screening and counterterrorism namecheck vetting provided insufficient assurance that the funds would be appropriately protected.
	SPRMCO25VC0023	$29,000,000	
(U) Total *		**$379,100,000**	

* (U) This row includes the total obligated amount for all awards listed in Table B.1.

(U) Source: Generated by OIG from analysis of data provided by the Department of State from February through July 2025.

(U) APPENDIX C: UNDER SECRETARY FOR FOREIGN ASSISTANCE, HUMANITARIAN AFFAIRS, AND RELIGIOUS FREEDOM RESPONSE

United States Department of State

Washington, DC 20520

~~SENSITIVE BUT UNCLASSIFIED~~

June 18, 2026

MEMORANDUM

TO: OIG/MERO – Bernard Vennemann, Rachel Kell

FROM: F Jeremy Lewin, Senior Official

SUBJECT: Draft Report on Audit of the Bureau of Population, Refugees, and Migration's Efforts to Mitigate Terrorist Financing Risks in the Near East

(U) Thank you for the opportunity to provide comments on and respond to the recommendations of the subject draft report.

(U) Before addressing the audit recommendations, F underscores the following context:

- (U) In all cases, the Bureau of Population, Refugees, and Migration (PRM) complied with then-current Department requirements and regulations on monitoring, internal controls, and risk management of voluntary contributions to Public International Organization (PIO) implementers. Where the OIG identified the need for risk management efforts beyond Department requirements, PRM effectively remediated its risk management practices to ensure compliance.
- (U) The scope of OIG evidence collection ended in July 2025, following a period when U.S. foreign assistance was suspended for a thorough review. Subsequently, the Department underwent a major reorganization that significantly reformed foreign assistance offices.
- (U) As part of its comprehensive reorganization in July 2025, the Department transferred several functions (including risk monitoring and mitigation, as well as program planning, monitoring, and evaluation) from PRM to offices directly under F.
- (U) In March 2026, the Department reallocated primary responsibility for humanitarian assistance programming from PRM to the newly established Bureau of Disaster and Humanitarian Response (DHR), including management of all Gaza-related awards.

~~SENSITIVE BUT UNCLASSIFIED~~

(U) F is committed to ensuring effective management, monitoring, and risk analysis and mitigation in its assistance programs as an essential part of award management.

I. (U) Clarification of facts before and after July 2025

(U) Given the audit timeline, F seeks to clarify actions taken prior to and following July 2025.

(U) Pre-July 2025 Remedial Actions Taken

(U) Additional Mitigation Measures
(U) Under the FY 2024 IOM and UNICEF awards in Gaza, PRM implemented additional mitigation measures consistent with the terrorist financing risk mitigation policy in 2 FAM 058, mitigation 6:

- **(U) Reporting Requirements:** Each award required IOM or UNICEF to provide via MyGrants monthly status updates and quarterly program narrative reports and financial reports, due 30 days after the end of each quarter. A final financial report and narrative report on the progress of these activities was due 120 days after the end of the project period via MyGrants.
- **(U) Regular Monitoring Meetings:** PRM held monthly virtual meetings separately with IOM and UNICEF to review activities, the operating environment, and risk-related issues. PRM often followed up with written or oral questions.
  - (U) UNICEF meetings included relevant Field Offices, HQ Public Partnership Division, and its Middle East and North Africa Regional Office, as well as PRM Coordinators.
  - (U) IOM meetings include Jordan Field Offices and IOM Washington.
- **(U) Third-Party Monitoring:** IOM and UNICEF award provisions authorize third-party monitoring.

(U) Sub-Recipient Controls

~~(SBU)~~ Pre-Approval Requirement (consistent with 2 FAM 058, mitigation 2): As of June 2025, PRM required approval in advance of any subawards or subcontracts for activities inside Gaza funded in whole or in part with PRM funding.

- ~~(SBU)~~ Enhanced Vetting (consistent with 2 FAM 058, mitigation 4): All sub-recipients and vendors in the West Bank and Gaza (b) (5) [redacted] undergo Counter Terrorism (CT) Risk Analysis and Management (RAM) vetting at https://ramportal.state.gov, per PRM's Partner Screening Standard Operating Procedure. This exceeds Department requirements, which exempt PIO partners from CT RAM vetting. IOM's and UNICEF's proposed partners underwent or were in the process of undergoing RAM vetting as of June 2025.

~~(SBU)~~ Supplemental Screening

- **~~(SBU)~~ Additional Information Collection** (consistent with 2 FAM 058, mitigations 1 and 3): PRM screened proposed contractors and sub-awardees against the Excluded Parties List System (EPLS) in SAM.gov and OFAC's Sanctions List Search. Specifically, for each sub-recipient and vendor (b) (5) [redacted] (b) (5) [redacted]

  (b) (5) [redacted]

  Documentation is maintained in an internal screening tracker per PRM's SOP.

(U) Post-July 2025 Remedial Actions Taken

(U) Third Party Monitor (TPM): An independent third-party monitor monitors PRM awards (including UNICEF) in Gaza, the West Bank, and Lebanon, including specific attention to terrorist financing risks. This monitoring contract began in September 2025 and remains active. Management of this TPM contract and all Gaza-related humanitarian assistance transitioned to the Department's new Bureau of Disaster and Humanitarian Response (DHR). Since September 2025, an independent third-party monitor has conducted ongoing monitoring of IOM sub-recipients in Gaza under its award.

~~(SBU)~~ CT RAM vetting for all sub-recipients and vendors of IOM and UNICEF: PRM completed vetting for all UNICEF sub-recipients and vendors. Five were proposed and four were approved. (b) (5) [redacted] (b) (5) [redacted] PRM completed vetting for 11 IOM common pipeline partners.

II. (U) Department of State Reorganization and PRM Capacity

(U) In July 2025, the Department of State implemented a comprehensive reorganization. Among other things, this resulted in the transfer of several functions (including risk monitoring and mitigation, as well as program planning, monitoring, and evaluation) from PRM to offices directly under F. In March 2026, the Department reallocated primary responsibility for humanitarian assistance programming from PRM to the newly established DHR bureau.

(U) These organizational transitions have materially improved the Department's institutional capacity and operational framework for managing terrorist financing risks associated with humanitarian assistance programs. The consolidation and transfer of these specialized functions warrant careful consideration in assessing current risk management guidance and procedures.

III. (U) IO internal controls

(U) F has prioritized funding PIOs in part to leverage their robust internal controls and risk management practices. The United States has emphasized the importance of strong internal controls and risk management as a member state and active participant in PIOs' governing bodies; it frequently engages PIOs to strengthen these controls. Indeed, IOM and UNICEF maintain embedded compliance frameworks specifically designed to mitigate the risk of humanitarian funds reaching proscribed individuals or entities, including terrorist organizations.

Attachment:
Recommendations and Responses

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

(U) Attachment
Recommendations and Responses

Recommendation #1. (U) OIG recommends that the Bureau of Population, Refugees, and Migration update the terms and conditions of voluntary contribution SPRMCO24VC0086, awarded to the International Organization for Migration, and voluntary contributions SPRMCO24VC0346 and SPRMCO25VC0023, awarded to the United Nations Children's Fund, with provisions for obtaining pre-approval of sub-recipients in all locations with increased terrorist financing risks.

F Response: (U) Concur. PRM has had sub-recipient pre-approval procedures for Public International Organization (PIO) awards operating in the West Bank and Gaza in place since June 2025. F will consider updating internal procedures to expand sub-recipient vetting of PIO implementers in other locations of increased terrorist financing risks if warranted by terrorist risk financing assessments for each award.

Recommendation #2. (U) OIG recommends that the Bureau of Population, Refugees, and Migration screen all proposed sub-recipients of voluntary contribution SPRMCO24VC0086, awarded to the International Organization for Migration, and voluntary contributions SPRMCO24VC0346 and SPRMCO25VC0023, awarded to the United Nations Children's Fund, against the System for Award Management's Excluded Parties List System and the Department of the Treasury, Office of Foreign Assets Control's Sanctions List before disbursing any additional funds.

F Response: (U) Concur. PRM has already completed this process for all sub-recipients. DHR will continue to do so for any newly proposed sub-recipients.

Recommendation #3. (U) OIG recommends that the Bureau of Population, Refugees, and Migration complete the counterterrorism namecheck vetting process for all proposed sub-recipients of voluntary contribution SPRMCO24VC0086, awarded to the International Organization for Migration (IOM), and voluntary contributions SPRMCO24VC0346 and SPRMCO25VC0023, awarded to the United Nations Children's Fund (UNICEF), before disbursing any additional funds.

F Response: (U) Concur. As of June 2025, PRM completed namecheck vetting for all sub-recipients before disbursing any additional funds.

Recommendation #4. (U) OIG recommends that the Bureau of Population, Refugees, and Migration (PRM) update its policies and procedures to require PRM pre-approval of sub-recipients in all locations with increased terrorist financing risks.

F Response: (U) Do Not Concur. PRM continues to use individualized risk assessments of each implementer and location to determine where the risk of terrorist financing is high enough that pre-approval of sub-recipients is a necessary mitigation strategy. The standard suggested above is too broad and does not take into account other risk and mitigation factors, nor does it consider the intended implementer.

Recommendation #5. (U) OIG recommends that the Bureau of Population, Refugees, and Migration update its policies and procedures to require the completion of screening and counterterrorism namecheck vetting of sub-recipients prior to making payments to public international organizations.

F Response: (U) Do Not Concur. PRM already requires preapproval of sub-recipients of PIOs in certain high-risk situations before those sub-recipients may receive any funds. However, there may be other work the PIO is doing directly that warrants payment of part of the award unrelated to sub-recipients (i.e. payment of staff salaries, monitoring and evaluation, direct service provision, procurement). Also, not all PIO awards are in areas at high risk for terrorist financing. PRM will look individually at each award's specific risk context to determine the appropriate strategy.

Recommendation #6. (U) OIG recommends that the Bureau of Population, Refugees, and Migration develop, implement, and communicate a process requiring officials to validate and verify public international organization implementation of terrorist financing risk mitigation measures, to include reviewing supporting documentation.

F Response: (U) Do Not Concur. PRM and other F family bureaus only deal with certain PIOs. To the extent it is necessary to update Department-wide risk management guidance for PIOs, this recommendation should be addressed to M/EX. Further, PRM's February 2025 SOPs reflect a targeted, risk-based approach that already comply with the FAM and 2 CFR 200. PRM institutional leads work with relevant PIOs to understand, verify, and improve terrorist financing risk mitigation efforts, and U.S. participation in multilateral governing bodies includes regular review and approval of PIO enterprise risk frameworks and oversight of PIO investigative mechanisms.

Recommendation #7. (U) OIG recommends that the Under Secretary for Management, Office of the Executive Director update 2 Foreign Affairs Manual 055 to establish clear timeframes for initiating and completing terrorist financing risk assessments following a significant change to or expansion of program activities, the context in-country, or other factors relevant to the assessed level of risk.

F Response: (U) M/EX to respond separately.

Recommendation #8. (U) OIG recommends that the Under Secretary for Management, Office of the Executive Director update 2 Foreign Affairs Manual 056 to require bureaus to halt funding to public international organizations following a significant change, as defined in 2 Foreign Affairs Manual 055, until the updated terrorist financing risk assessment has been completed.

F Response: (U) M/EX to respond separately.

Recommendation #9. (U) OIG recommends that the Office of Foreign Assistance Oversight develop and implement a plan requiring all Department bureaus that fund humanitarian assistance activities to apply terrorist financing risk assessment and mitigation policy updates, as identified in Recommendations 4-8 of this report.

F Response: (U) Do Not Concur. Policy authority for the relevant guidance, including 2 FAM 50, 14 FAM 247, and the Secretary's memorandum on West Bank and Gaza, rests with L, A/OPE, and S, respectively. FAO/VA is working with the A Bureau's Risk Analysis and Management team to strengthen counterterrorism vetting and develop a comprehensive vetting framework for foreign assistance programs.

Recommendation #10. (U) OIG recommends that the Bureau of Population, Refugees, and Migration evaluate the awards and associated amounts identified in Appendix B, which OIG determined to total $379.1 million in funds to be put to better use, for deobligation, reallocation, or other action as appropriate.

F Response: (U) Concur. DHR now manages these awards and will determine whether to deobligate remaining funds (as of June 3, $5,049,423 with IOM and $1,158,550 with UNICEF) based on current risk analyses and policy priorities.

(U) APPENDIX D: UNDER SECRETARY FOR MANAGEMENT, EXECUTIVE OFFICE FOR MANAGEMENT, RESPONSE

United States Department of State

Washington, DC 20520

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June 18, 2026

☐ Read by ________

Info Memo for A/OIG Arne Baker

FROM: M/EX – Eric Stein, Acting Executive Director

Eric F Stein

Digitally signed by Eric F Stein
Date: 2026.06.18 16:57:44 -04'00'

SUBJECT: Draft Report Response to OIG's "Audit of the Bureau of Population, Refugees, and Migration's Efforts to Mitigate Terrorist Financing Risks in the Near East" (AUD-STP-26-XX)

Summary:

- M/EX concurs with recommendation seven.
- M/EX does not concur with recommendation eight and asks that it be removed from the Final Report.

Recommendation 7: OIG recommends that the Under Secretary for Management, Office of the Executive Director, update 2 Foreign Affairs Manual 055 to establish clear timeframes for initiating and completing terrorist financing risk assessments following a significant change to or expansion of program activities, the context in-country, or other factors relevant to the assessed level of risk.

M/EX Response (6/18/2026): M/EX concurs with the recommendation.

Recommendation 8: OIG recommends that the Under Secretary for Management, Office of the Executive Director, update 2 Foreign Affairs Manual 056, to require bureaus to halt funding to public international organizations following a significant change, as defined in 2 Foreign Affairs Manual 055, until the updated terrorist financing risk assessment has been completed.

M/EX Response (6/18/2026): The Department does not concur with this recommendation and requests that it be removed from the Final Report. Requiring a halt to funding to public international organizations following a significant change is untenable because it could violate the Anti-Impoundment Act depending on the exact timing of any such halt and the duration of the appropriation from which halted funding is derived. In addition, 2 FAM 54(a)(2) already requires Bureau Assistant Secretaries to review programs carefully and, where necessary,

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make adjustments in order to mitigate risk. The Department therefore has sufficient policies in place to make adjustments, when necessary, and therefore an update to the FAM is not required.

(U) APPENDIX E: OIG REPLY TO GENERAL COMMENTS FROM THE UNDER SECRETARY FOR FOREIGN ASSISTANCE, HUMANITARIAN AFFAIRS, AND RELIGIOUS FREEDOM

(U) The Senior Official performing the duties of the Under Secretary for Foreign Assistance, Humanitarian Affairs, and Religious Freedom (hereafter referred to as Senior Official) provided general comments on a draft of this report in addition to providing responses to the recommendations that the Office of Inspector General (OIG) offered.[1] This appendix summarizes the Senior Official's general comments and OIG's reply, as appropriate. The Senior Official's responses to the recommendations are summarized following each recommendation in the Audit Results section of this report.

(U) Comments regarding "context." The Senior Official provided several contextual comments, including noting that

- (U) "in all cases, the Bureau of Population, Refugees, and Migration (PRM) complied with then-current Department requirements and regulations on monitoring, internal controls, and risk management of voluntary contributions to Public International Organizations (PIO) implementers" and PRM "effectively remediated its risk management practices" to address areas where "OIG identified the need for risk management efforts beyond Department requirements."
- (U) the scope of OIG's audit and evidence collection ended in July 2025, which followed "a period when U.S. foreign assistance was suspended for a thorough review," and the Department of State (Department) "underwent major reorganization that significantly reformed foreign assistance offices." The reorganization "transferred several functions (including risk monitoring and mitigation, as well as program planning, monitoring, and evaluation) from PRM" to offices directly under the Under Secretary for Foreign Assistance, Humanitarian Affairs, and Religious Freedom, which included reallocating "primary responsibility for humanitarian assistance programming from PRM to the newly established Bureau of Disaster and Humanitarian Response (DHR), including management of all Gaza-related awards."

(U) OIG Reply. The areas for improvement that OIG identified during the audit were not "beyond Department requirements" for risk mitigation, and PRM did not comply with all Department requirements in place at the time. OIG's findings relate to *execution* of PRM's own identified terrorist financing risk mitigation measures in addition to ensuring Department requirements in the Foreign Affairs Manual (FAM) were fully implemented. Throughout the Audit Results section of this report, OIG cites the policies and procedures, including FAM sections, with which PRM did not comply. OIG offered multiple recommendations to address weaknesses or missing controls related to those FAM requirements, which was most clearly demonstrated as necessary because of PRM's lack of action to reassess terrorist financing risks

[1] (U) See Appendix C for the full text of the Senior Official's comments.

or amend mitigation measures following the October 7, 2023, Hamas attack on Israel before providing an additional $109.7 million to the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA). As detailed in this report, the importance of comprehensive oversight and execution of terrorist financing risk mitigation measures applies to all foreign assistance that the Department provides. As such, FAM requirements should be updated to address weaknesses that OIG reported in the Audit Results section of this report. Furthermore, as OIG recommended, the Department needs to ensure the guidance is adopted by all bureaus that provide foreign assistance.

(U) In addition, OIG's evidence collection did not end in July 2025. OIG performed work on this audit from April 2025 until April 2026. OIG obtained and reviewed evidence from the Department even after audit fieldwork was completed (i.e., the Department provided documentation during and after exit conferences that was thoroughly assessed and discussed with Department officials). Throughout this report, OIG acknowledges the significant changes that the Department underwent during 2025 and 2026, including the impacts to providing foreign assistance. OIG considered the changes to foreign assistance oversight during the audit and addressed those changes, as appropriate, during its work. The official transfer of responsibility for managing Gaza-related foreign assistance awards was in process during the exit conferences for this project but had not been completed. Now that the transfer is complete, in recognition of shifting responsibilities, OIG redirected some of the recommendations from a draft of this report, as appropriate. However, because PRM continues to provide foreign assistance, although it may not be related to humanitarian assistance, the controls implemented through PRM's standard operating procedures need to be updated to address deficiencies identified during this audit.

(U) Comments regarding "Clarification of facts before and after July 2025." The Senior Official stated that

- (U) before July 2025, PRM applied additional mitigation measures for awards to the International Organization for Migration (IOM) and the United Nations Children's Fund (UNICEF) consistent with policy, including obtaining monthly status updates and quarterly program and financial reports from the two PIOs, holding monthly, virtual meetings, and including award provisions authorizing third-party monitoring.
- ~~(SBU)~~ before July 2025, PRM also required that it approve in advance any subawards or subcontracts for activities inside Gaza that were funded by PRM. As part of this process, all sub-recipients and vendors (b) (5) [redacted] would undergo counterterrorism namecheck vetting (CT vetting).
- (U) PRM contracted with an independent third-party monitor in September 2025 for PRM awards in the West Bank, Gaza, and Lebanon, including attention to terrorist financing risks.
- (U) after July 2025, PRM completed the CT vetting process for all UNICEF sub-recipients and vendors and IOM's common pipeline partners.

(U) OIG Reply. As noted in the Audit Results section of this report, OIG determined that PRM identified, but did not effectively implement, additional terrorist financing risk mitigation measures for selected IOM and UNICEF awards prior to July 2025. In addition, OIG determined that PRM drafted a solicitation for third-party monitoring services in Gaza prior to July 2025; however, none of the third-party monitor's activities were related to terrorist financing risk mitigation. As also reported, OIG found that PRM relied on PIO-implemented mitigation measures without performing additional independent validation or verification that the measures functioned as expected. OIG recognizes that PRM took remedial actions after July 2025 to enhance its terrorist financing risk mitigation measures for selected IOM and UNICEF awards, which is detailed in the Audit Results section of this report. However, OIG found the terrorist financing risk mitigation measures were generally the same measures that PRM used to assess lower levels of terrorist financing risks for selected IOM and UNICEF awards.

(U) Comments regarding "Department of State Reorganization and PRM Capacity." The Senior Official reiterated that in July 2025, the Department implemented a comprehensive reorganization that resulted in the transfer of several programmatic, risk management, and oversight functions from PRM to offices directly under the Under Secretary for Foreign Assistance, Humanitarian Affairs, and Religious Freedom. The Senior Official also noted that in March 2026, the Department reallocated primary responsibility for humanitarian assistance programming from PRM to DHR.

(U) OIG Reply: As noted, OIG acknowledges the significance of the Department's reorganization throughout the report and accounted for the reallocation of humanitarian assistance from PRM to DHR by redirecting recommendations included in a draft of this report, where appropriate.

(U) Comments regarding PIO Internal Controls: The Senior Official stated that the Office of the Under Secretary for Foreign Assistance, Humanitarian Affairs, and Religious Freedom has prioritized funding PIOs in part for their "robust internal controls and risk management practices." As a member state and active participant of the PIOs' governing bodies, the United States has emphasized the importance of strong internal controls and risk management and frequently engages PIOs to strengthen these controls. Furthermore, the Senior Official stated that IOM and UNICEF maintain embedded compliance frameworks designed to mitigate the risk of humanitarian funds from reaching proscribed individuals or entities, including terrorist organizations.

(U) OIG Reply: As detailed in Appendix A of this report, OIG focused on PRM's oversight and implementation of terrorist financing risk assessment and mitigation efforts for selected PIO voluntary contributions. OIG did not test the design, implementation, or operating effectiveness of PIO risk management and internal controls during this audit. As reported in the Audit Results section of this report, OIG found that PRM did not take steps to verify and validate PIO-implemented terrorist financing risk mitigation measures. Evidence has demonstrated that UNRWA's controls were ineffective to identify and mitigate terrorist financing risks.

(U) ABBREVIATIONS

CT Vetting	Counterterrorism Namecheck Vetting
DHR	Bureau of Disaster and Humanitarian Response
FAM	Foreign Affairs Manual
GAO	Government Accountability Office
IOM	International Organization for Migration
OIG	Office of Inspector General
PIO	Public International Organization
PRM	Bureau of Population, Refugees, and Migration
RAM	Risk Analysis and Management
UNICEF	United Nations Children's Fund
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East

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