



Office of Inspector General

U.S. DEPARTMENT *of* STATE

**A Review of the President's Fiscal Year 2027 Budget Request for
the Department of State**

STATEMENT BY

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BEFORE THE SENATE APPROPRIATIONS SUBCOMMITTEE ON STATE,
FOREIGN OPERATIONS, AND RELATED PROGRAMS

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Chairman Graham, Ranking Member Schatz, and distinguished Members of the Subcommittee, thank you for the opportunity to provide testimony for this hearing on the President's FY 2027 Budget Request for the U.S. Department of State (Department). I serve as the Senior Official Performing the Duties of the Inspector General at the Department's Office of Inspector General (OIG), which also oversees the U.S. Agency for Global Media (USAGM) and the U.S. Section of the International Boundary and Water Commission (USIBWC). I am pleased to have this opportunity to share OIG's work with this Subcommittee.

OIG's mission is to foster efficiency and effectiveness in U.S. foreign affairs through meaningful, independent oversight and investigations of Department and USAGM programs and operations. This mission guides OIG inspections of embassies and diplomatic posts throughout the world and is central to our audits of Department and USAGM operations and activities. Through these audits and inspections, we offer recommendations to improve operations, increase fiscal responsibility, and strengthen the management and accountability of Department and USAGM programs. OIG also investigates instances of fraud, waste, abuse, and mismanagement that may constitute criminal wrongdoing or violations of Department and federal regulations. Our oversight of the funds Congress appropriates for the Department's and USAGM's many programs and activities helps ensure proper use of these resources, and we believe that our work can assist Subcommittee Members with funding decisions.

The Department is confronting a range of significant challenges, including finding solutions to ongoing conflicts in the Middle East and Ukraine, taking steps to prevent and discourage unauthorized immigration, responding to terrorist and transnational criminal threats, and leading global initiatives to promote American economic growth. At the same time, the Department continues the restructuring and reform efforts it began in 2025, when it assumed responsibility for select foreign assistance activities previously administered by the U.S. Agency for International Development (USAID).

USAGM is also confronting significant challenges. In February 2026, an independent auditor performing work on our behalf issued a disclaimer of opinion on USAGM's FY 2025 financial statements, identifying a material weakness in internal control over financial reporting and a reportable instance of noncompliance with laws,

regulations, contracts, and grant agreements related to establishing and maintaining effective internal controls.¹

In this testimony, I will describe how we are leveraging our extensive institutional knowledge and expertise to fulfill our mission and deliver results, outline the major management challenges confronting the Department, and address ways we are adapting to meet our oversight mandate through our work planning and resource management.

MISSION AND RESULTS

The Department and USAGM programs and operations include more than 80,000 employees and 279 overseas missions and domestic offices. We oversee more than \$80.8 billion in Department and USAGM resources, including significant funding for foreign assistance. In the last 5 years, OIG identified approximately \$1.36 billion in questioned costs and taxpayer funds that could be put to better use. Our criminal, civil, and administrative investigations produced an additional \$128.9 million in monetary results (including fines, restitution, and recoveries). Further, from April 2021 through March 2026, our Hotline analysts received and processed more than 13,120 complaints, and our investigations led to 162 criminal actions, 11 civil actions, and 232 administrative actions, including 67 suspensions and debarments. In sum, over the past 5 years OIG's work generated potential monetary benefits of approximately \$3.13 for every \$1 appropriated to OIG. Although notable, this return on investment represents only the quantifiable financial impact of OIG's oversight activities. Our nonmonetary findings, recommendations, and investigative results drive security enhancements, operational efficiencies, and other improvements to Department and USAGM programs and operations.

MAJOR MANAGEMENT CHALLENGES

As required by the Reports Consolidation Act of 2000, OIG annually identifies the most significant management and performance challenges facing the Department and USAGM and provides a brief assessment of their progress in addressing them. Across our body of work, we identify recurring themes in OIG recommendations, highlighting systemic issues. In recent years, we have grouped the Department's

¹ OIG, *Independent Auditor's Report on the U.S. Agency for Global Media FY 25 Financial Statements* (AUD-FM-IB-26-10, February 2026).

challenges into three primary areas: staffing and organizational structure, safety and security, and stewardship.

Staffing and Organizational Structure

The most significant staffing and organizational challenge facing the Department was its reorganization and the integration into the Department of select functions of USAID. Federal agency reorganization is always a significant undertaking in any circumstances. We found that the compressed timeline for integrating certain USAID functions, combined with a dynamic operating environment and ongoing Department restructuring, further complicated the realignment process. The Department's continuing review of foreign assistance and evolving guidance regarding ongoing and canceled USAID programs created additional challenges.² OIG recommended developing an implementation plan with milestones and clear assignment of responsibilities to improve efficiency and effectiveness of the realignment efforts.

Safety and Security

Safeguarding people, facilities, and property is one of the Department's most important responsibilities. Embassies face a host of threats, including hostile foreign governments, terrorism, crime, information security vulnerabilities, and risks to health and safety. Safety and security are perennial challenges for a large agency operating in complex environments around the world. Our work has consistently found continuing Department challenges in protecting health and safety, building and maintaining secure facilities, and implementing information security.

In many cases the Department has existing policies and procedures in place to protect the health and safety of personnel. Yet our work has repeatedly highlighted that the Department does not always comply with its own standards. Reinforcing adherence to existing safety and security policies would improve the Department's ability to protect and prioritize the health and safety of staff. In FY 2025 alone, our work resulted in more than 100 security and safety recommendations in inspections, audits, and evaluations related to these important issues.

² OIG, *Evaluation of the Department of State's Approach to Realigning U.S. Agency for International Development Functions* (AUD-GEER-25-20, May 2025).

As in previous years, we continue to identify significant information security challenges in our work. For example, the annual audit of the Department's information security program found that the Department did not have a fully implemented information security program. The audit found persistent security weaknesses in supply-chain risk management, risk and asset management, configuration management, identity and access management, data protection and privacy, security training, and contingency planning.³ Our embassy inspections have identified persistent information security issues at the Department's posts abroad. Our audit work likewise has identified concerning information security vulnerabilities in IT security and privacy controls for the Bureau of Consular Affairs and other Department bureaus.

Stewardship

In OIG's work over the years, we have emphasized weaknesses in financial and property management as well as oversight of federal funding instruments. The most recent audit of the Department's financial statements identified deficiencies in financial reporting with regard to appropriated funds that are required to be transferred to other agencies.⁴ Proper oversight of Department contracts, grants, and cooperative agreements requires extensive monitoring to document performance, ensure work meets agreed-upon terms, and address nonperformance while ensuring the effective use of taxpayer resources and containing costs. As of the end of FY 2025, OIG was tracking more than 130 open recommendations intended to improve oversight of contractors, grantees, and foreign assistance at the Department.

ADAPTING TO MEET OUR MANDATE

Prior to the transfer of USAID functions, the Department directly implemented half of U.S. government foreign assistance, and we have developed deep expertise in foreign assistance oversight. We have long worked closely with other oversight bodies, including the Special Inspector General for Afghanistan Reconstruction (SIGAR), the Government Accountability Office (GAO), and USAID OIG, particularly in

³ OIG, *Audit of the Department of State FY 2025 Information Security Program* (AUD-IT-25-35, September 2025).

⁴ OIG, *Independent Auditor's Report on the U.S. Department of State FY 2025 Financial Statements* (AUD-FM-26-05, December 2025).

the context of Overseas Contingency Operations oversight. For example, in 2025, our audit and inspection leadership established a monthly working group with GAO and USAID OIG to coordinate oversight plans during the transition. We also participate in a GAO-initiated new working group focused on foreign assistance, which meets monthly to maintain robust coordination. Insights from this group informed our planning for an evaluation examining the administration of foreign assistance programs by the Department's regional bureaus, which will be completed later this year. We continue to engage with this group as we plan future work, including several upcoming audits and evaluations regarding foreign assistance awards transferred from USAID and the Department's implementation and administration of related programs and contracts.

Recognizing the increased importance of foreign assistance oversight, we made significant organizational adjustments to enhance our oversight posture. For example, in October 2025, we established a dedicated foreign assistance audit division to centralize existing expertise and target necessary resources for this priority area. In addition, our overseas inspections now focus on foreign assistance through examination of the political and economic sections, which are responsible for most of the foreign assistance implemented at posts. Our domestic bureau inspections likewise examine how regional bureaus are carrying out their new key responsibilities.

Evaluations of the Department's domestic bureaus examine how regional bureaus coordinate foreign assistance and engage with the central structure through which the Department supports foreign assistance implementation abroad.

Because U.S. foreign assistance is often provided through international organizations, Congress has long recognized the importance of ensuring effective oversight of U.S. government contributions to international organizations. The passage of the 2026 Consolidated Appropriations Act (Public Law 119-75, February 3, 2026), triggered a requirement for us to report on best practices for new and enhanced oversight of international organizations.⁵ In May 2026, we published a report on best practices that identified three key areas: conducting rigorous

⁵ The Joint Explanatory Statement accompanying the National Security, Department of State, and Related Programs Appropriations Act, 2026, which was incorporated into Public Law 119-75, directed that in implementing the appropriation, agencies were to comply with the directives, reporting requirements, and instructions contained in House report 119-217 accompanying H.R. 4779 (House bill) as if they were included in the explanatory statement, unless specifically directed to the contrary. The OIG reporting requirement in question appears on page 16 of House report 119-217.

organizational assessments of international organizations, developing and implementing effective risk-management plans for contributions, and executing sound award and management practices. The Department can put in place these practical measures to strengthen management and oversight of contributions to international organizations and reinforce accountability for U.S. taxpayer funds.⁶

STRATEGIC OVERSIGHT

We have long prioritized the ability to adjust our work plans as circumstances require to take into account congressional requests, administration priorities, and emerging developments. Underpinning our work-planning process are our strategic oversight priorities. These are areas of intensive oversight focus for the office and are highlighted on our website. At present, our strategic oversight priorities relate to foreign assistance, Israel, and Ukraine.

Foreign Assistance Oversight

Our experience overseeing foreign assistance administered through the Department is extensive, and oversight in this area has been a longstanding priority. From 2016 through May 2025, OIG issued more than 170 reports and more than 650 recommendations to improve the Department's foreign assistance programs. During the same timeframe, OIG's recommendations from foreign assistance-related reports identified \$407.5 million in funds put to better use and \$258.6 million in questioned costs. We continue to work closely with the Department, Congress, and other stakeholders to ensure uninterrupted oversight following the realignment of foreign assistance activities from USAID to the Department. In September 2025, we issued a dedicated foreign assistance oversight plan, and foreign assistance remains a key priority throughout our work-planning process.

In addition to 25 ongoing foreign assistance oversight projects, OIG plans to begin 11 additional foreign assistance-focused audits, inspections, and evaluations in FY 2026. This rapidly growing body of work covers the waterfront of assistance activities, from global health to humanitarian assistance. Looking ahead to FY 2027, we will continue to promote accountability and stewardship of foreign assistance through our work.

⁶ OIG, *Information Brief: Best Practices for Oversight of International Organizations* (OIG-26-03, May 2026).

Israel-Related Oversight

Oversight of the Department's response to the situation in Israel, Gaza, the West Bank, and the broader region is also a leading priority for OIG. Since the October 2023 Hamas terrorist attack, the Department has significantly increased its diplomatic efforts, security assistance, and other support in the region. The ensuing conflict has sparked further violence in the Middle East and heightened security risks in the region. Our body of oversight work related to the conflict continues to grow. We coordinate regularly with oversight partners to promote effective coverage of key risks associated with the broader U.S. government response. In May we issued a plan for conducting risk-based investigations and oversight in the West Bank and Gaza that reflects specific planned and ongoing oversight projects, as well as our oversight approach and the tools we are bringing to bear on this work.⁷

Ukraine-Related Oversight

The complexity, scale, and timing of efforts in response to Russia's war against Ukraine demand robust oversight. We coordinate with offices across the oversight community amid this multiagency response. The *FY 2026 Joint Strategic Oversight Plan* reflects the ongoing and planned oversight work related to the Ukraine response across the U.S. government, and we worked closely with our counterparts at the Department of War OIG and USAID OIG to create this plan.⁸ This is the second Joint Strategic Oversight Plan issued for the Ukraine response and includes Operation Atlantic Resolve, the overseas contingency operation supporting Ukraine's armed forces.

In July 2025, Ukraine assistance programs valued at an estimated \$1.8 billion were transferred to the Department from USAID. Accordingly, we are planning a related audit that will examine whether Embassy Kyiv, Ukraine, has developed and implemented the structural capacity required to administer foreign assistance awards.

⁷ OIG, *Risk-Based Oversight and Investigations in West Bank, Gaza, and Broader Region* (OIG-26-04, May 2026).

⁸ Special Inspector General for Operation Atlantic Resolve, *FY 2026 Joint Strategic Oversight Plan* (September 2025).

OPERATIONS AND RESOURCES

Streamlined Inspection Teams

Over the past year, our Office of Inspections has been working to streamline inspection processes to operate with a smaller footprint than in years past. Inspectors are now cross-trained on policy implementation, public diplomacy, and foreign assistance so that a single inspector in the field can evaluate a broader scope of functions that previously required multiple team members. Steps to shorten the amount of time spent at embassies during the inspection process have enabled OIG to reduce costs and increase the net returns on inspection efforts, streamlining the inspection process.

Flexibility for Special Projects

In October 2025, we reset the mission of our Office of Evaluations and Special Projects. The renamed Office of Whistleblower Integrity and Special Projects better reflects its focus on statutory responsibilities, including educating employees regarding whistleblower protections and investigating allegations of whistleblower retaliation, while preserving OIG's ability to respond quickly to congressional requests.

Staffing Requirements

With the transition of foreign assistance programs and activities from USAID to the Department and substantial reorganization and reforms within the Department, the demand for comprehensive oversight of Department programs and activities has never been greater. We are grateful for the Subcommittee's strong past support for our office and look forward to working with Congress on our budget request in coming months as we undertake a significant increase in our oversight responsibilities.

CONCLUSION

I am honored to lead OIG's talented staff of auditors, investigators, and inspectors as we carry out rigorous, independent oversight on behalf of Congress and the American people. As the Department assumes expanded responsibilities following significant organizational changes, your continued support enables OIG to provide

the timely, risk-based oversight needed to safeguard taxpayer resources, strengthen the Department's management and security posture, and hold wrongdoers accountable. We look forward to working closely with the Subcommittee as we address increasing foreign assistance oversight demands and evolving global security challenges to deliver actionable, data-driven findings that inform congressional decision-making.