

INDEPENDENT AUDITOR'S REPORT
AUD-FM-IB-26-10

To the U.S. Agency for Global Media Deputy Chief Executive Officer and the Senior Official Performing the Duties of the Inspector General:

Report on the Audit of the Financial Statements***Disclaimer of Opinion***

We were engaged to audit the financial statements of the U.S. Agency for Global Media (USAGM), which comprise the consolidated balance sheet as of September 30, 2025; the related consolidated statements of net cost and changes in net position and the combined statement of budgetary resources for the year then ended; and the related notes to the financial statements.

We do not express an opinion on the accompanying financial statements of USAGM referred to above. Because of the significance of the matters described in the “Basis for Disclaimer of Opinion” section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

Basis for Disclaimer of Opinion

To implement Executive Order 14238,¹ during FY 2025, USAGM significantly reduced its entity-wide staffing levels. USAGM’s financial reporting environment was materially affected by the reduction in workforce, which impacted USAGM’s ability to respond to financial statement audit requests in a sufficient and timely manner. Because USAGM was unable to sufficiently respond to financial statement audit requests, it was impracticable to execute all required financial statement audit procedures. Thus, we were unable to obtain sufficient, appropriate audit evidence to provide a basis for an audit opinion that the financial statements are complete and free from material misstatements when taken as a whole. In addition, as a result of the scope limitations, we were unable to determine whether any adjustments might have been found necessary with respect to recorded and unrecorded amounts included in the financial statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

¹ Executive Order 14238, Continuing the Reduction of the Federal Bureaucracy (March 14, 2025).



In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about USAGM’s ability to continue as a going concern for a reasonable period of time.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of USAGM’s financial statements in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 24-02, “Audit Requirements for Federal Financial Statements,” and to issue an auditor’s report. However, because of the matters described in the “Basis for Disclaimer of Opinion” section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are required to be independent of USAGM and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis, Deferred Maintenance and Repairs, and Land be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by OMB Circular A-136, “Financial Reporting Requirements,” and the Federal Accounting Standards Advisory Board, which consider the information to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We were unable to apply certain limited procedures to the required supplementary information in accordance with GAAS because of matters described in the “Basis for Disclaimer of Opinion” section above. We do not express an opinion or provide any assurance on the information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards* and OMB Bulletin No. 24-02, we have also issued reports, dated February 27, 2026, on our consideration of USAGM’s internal control over financial reporting and on our tests of USAGM’s compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of those reports is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of USAGM’s internal control over financial reporting or on compliance. Those reports are an integral part of an



engagement to perform an audit in accordance with *Government Auditing Standards* and OMB Bulletin No. 24-02 in considering USAGM's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Kearney & Company". The signature is written in a cursive, flowing style.

Alexandria, Virginia
February 27, 2026

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the U.S. Agency for Global Media Deputy Chief Executive Officer and the Senior Official Performing the Duties of the Inspector General:

We were engaged to audit, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 24-02, “Audit Requirements for Federal Financial Statements,” the financial statements and the related notes to the financial statements of the U.S. Agency for Global Media (USAGM) as of and for the year ended September 30, 2025, which collectively comprise USAGM’s financial statements, and we have issued our report thereon dated February 27, 2026. Our report disclaims an opinion on such financial statements because we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Report on Internal Control Over Financial Reporting

In connection with our engagement to audit USAGM’s financial statements, we considered USAGM’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of USAGM’s internal control. Accordingly, we do not express an opinion on the effectiveness of USAGM’s internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers’ Financial Integrity Act of 1982,¹ such as those controls relevant to ensuring efficient operations.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described below, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Material Weakness

I. Insufficient Audit Evidence

On March 14, 2025, the President signed Executive Order 14238², which states that “the non-statutory components and functions of [USAGM] shall be eliminated to the maximum extent consistent with applicable law, and [USAGM] shall reduce the performance of their statutory functions and associated personnel to the minimum presence and function required by law.” During FY 2025, to implement Executive Order 14238, USAGM’s workforce was reduced significantly. Even though USAGM had reduced its operating posture, the Office of Management and Budget (OMB) confirmed that USAGM was required to comply with the Chief Financial Officers Act,³ as amended, and issue audited financial statements for FY 2025. OMB provided USAGM an extension for issuing its FY 2025 audited financial statements to March 1, 2026. The financial statement audit began in late January 2026.

Kearney requested data and documentation as of September 30, 2025, to substantiate account balances and transactions that supported USAGM’s financial statements. Specifically, we identified Fund Balance with Treasury, Property, Expenses, and Budgetary Resources as significant line items for the financial statements. USAGM provided supporting documentation for the Fund Balance with Treasury line item. However, we noted several instances where USAGM was unable to provide key audit documentation in a complete and timely manner.

- **Property, Plant, and Equipment** – USAGM reported \$28 million in property, plant, and equipment. USAGM provided its property inventory listing, but the data provided were incomplete. For example, the property inventory listing was missing some data fields that were needed to support the amount reported. Because of the missing data, we were unable to initiate certain substantive testing procedures by the end of audit fieldwork.
- **Expenses** – USAGM reported approximately \$802 million in total expenses as of September 30, 2025. We focused our testing on three expense areas, totaling \$787 million (98 percent)—general expenses, which USAGM valued at \$154 million (19 percent); grantee expenses, which USAGM valued at \$326 million (41 percent); and payroll, which USAGM valued at \$307 million (38 percent).
 - *General Expenses* – We validated the expense population for completeness and selected a sample of transactions for testing. However, USAGM was unable to provide the supporting documentation needed by the end of audit fieldwork.
 - *Grantee Expenses* – USAGM officials stated that many routine grantee monitoring controls were discontinued during FY 2025. In addition, USAGM officials stated that USAGM suspended grantee communications during FY 2025 because of ongoing litigation. Because of the stated lack of controls related to

² Executive Order 14238, Continuing the Reduction of the Federal Bureaucracy (March 14, 2025).

³ Chief Financial Officers Act of 1990, Public Law 101-576 (November 15, 1990).

grantee monitoring, we did not initiate procedures to test grantee expenses during the audit. USAGM officials stated that USAGM resumed its grant monitoring controls in FY 2026.

- *Payroll* – USAGM changed its time and attendance system during FY 2025 but was unable to provide requested documentation related to IT security controls for the new system by the end of audit fieldwork. USAGM provided other preliminary payroll data. However, the data was not provided by USAGM until near the end of audit fieldwork, which did not allow sufficient time to complete required audit procedures.
- **Budgetary Resources** – USAGM reported \$991.5 million in total budgetary resources and \$772.7 million of net outlays⁴ as of September 30, 2025. We focused our testing on unliquidated obligations (ULO)⁵ (both existing and new obligations) and requested a reconciliation of budgetary accounts to proprietary accounts.^{6,7}
 - *Unliquidated Obligations* – USAGM reported \$173.2 million in ULOs. USAGM was unable to provide a population of ULOs in a timely manner. Therefore, we were unable to determine whether the population was complete and accurate to initiate audit testing procedures by the end of audit fieldwork.
 - *Budgetary to Proprietary Reconciliation* – USAGM was unable to provide a reconciliation of its budgetary accounts to its proprietary accounts by the end of audit fieldwork.

During FY 2025, USAGM significantly reduced its entity-wide staffing levels. Because of these reductions, USAGM was unable to maintain key accounting processes and controls over accounting transactions or support the audit in a complete and timely manner. In addition, USAGM officials stated that some key subsidiary accounting systems were discontinued during FY 2025, increasing the difficulties for USAGM to provide the universe of transactions for certain material line items. According to USAGM officials, plans are being implemented to ensure sufficient control over accounting transactions during FY 2026 and to provide adequate support for future financial statement audits. In addition, USAGM officials stated that key subsidiary accounting systems are being reestablished.

Furthermore, USAGM officials stated that USAGM was initially unsure if it would be required to prepare FY 2025 financial statements until it obtained clarifying information from OMB. Because of this uncertainty and staff turnover, USAGM did not begin the audit until January 2026, less than 6 weeks before the March 1 extension date that OMB granted. The limited time

⁴ An outlay is the amount of money that has actually been paid out (not just promised to be paid). Net outlays are the amount of money paid out less offsetting collections.

⁵ ULOs are the cumulative amount of orders, contracts, and other binding agreements for which goods and services ordered have not been received, or the goods and services have been received but payment has not yet been made.

⁶ Proprietary accounts are used to record assets and liabilities and provide an understanding of the entity's net position and cost of operations during a period.

⁷ The purpose of the reconciliation of net costs to outlays is to explain how budgetary resources outlayed during the reporting period relate to the net cost of operations. The reconciliation provides the information necessary to understand how the budgetary outlays finance the net cost of operations and affect the assets and liabilities of the reporting entity.

available to perform the financial statement audit was insufficient to accomplish the tasks required by professional auditing standards.

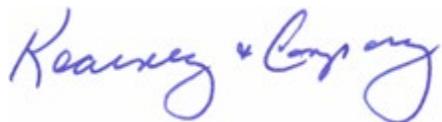
Audited financial statements provide independent assurance that an entity's financial records are accurate and reliable. Delays in providing financial information decrease its relevance to end users, which include Congress, federal officials, and taxpayers. In addition, the missing and insufficient documentation provided in response to audit requests resulted in scope limitations that were material and pervasive to USAGM's financial statements.

USAGM's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on USAGM's response to the findings identified in our engagement and described in a separate letter included in this report as Appendix A. USAGM's response was not subjected to the other auditing procedures applied in the engagement to audit the financial statements and accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and the results of that testing, and not to provide an opinion on the effectiveness of USAGM's internal control. This report is an integral part of an engagement to perform an audit in accordance with *Government Auditing Standards* and OMB Bulletin No. 24-02 in considering USAGM's internal control over financial reporting. Accordingly, this report is not suitable for any other purpose.



Alexandria, Virginia
February 27, 2026

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH LAWS,
REGULATIONS, CONTRACTS, AND GRANT AGREEMENTS**

To the U.S. Agency for Global Media Deputy Chief Executive Officer and the Senior Official Performing the Duties of the Inspector General:

We were engaged to audit, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 24-02, “Audit Requirements for Federal Financial Statements,” the financial statements and the related notes to the financial statements of the U.S. Agency for Global Media (USAGM) as of and for the year ended September 30, 2025, which collectively comprise USAGM’s financial statements, and we have issued our report thereon dated February 27, 2026. Our report disclaims an opinion on such financial statements because we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Report on Compliance and Other Matters

In connection with our engagement to audit USAGM’s financial statements, we performed tests of USAGM’s compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. We did not test compliance with all laws, regulations, contracts, and grant agreements applicable to USAGM. Providing an opinion on compliance with those provisions was not an objective of our engagement; accordingly, we do not express such an opinion.

The results of our tests disclosed one instance of noncompliance that we are required to report in accordance with *Government Auditing Standards* and OMB Bulletin No. 24-02. Additionally, if the scope of our work had been sufficient to enable us to express an opinion on the financial statements, other instances of noncompliance or other matters may have been identified and reported therein.

Specifically, we noted noncompliance with requirements included in the Federal Manager’s Financial Integrity Act (FMFIA)¹ and OMB Circular A-123² related to establishing and maintaining effective internal controls. We determined that USAGM did not assess the effectiveness of its internal controls over operations, reporting, and compliance as required. USAGM officials stated that they did not perform internal controls procedures as required by FMFIA or OMB Circular A-123 because of uncertainties related to the status of the agency during FY 2025. In addition, individuals that managed USAGM’s internal control program that FMFIA described had separated from the organization during FY 2025. USAGM officials stated that they are in the process of reinstating USAGM’s internal control program, which they expect to have in place during FY 2026.

¹ Public Law 97-255, codified at 31 United States Code § 3512(d).

² OMB Circular A-123, Appendix A, “Management of Reporting and Data Integrity Risk,” June 6, 2018.

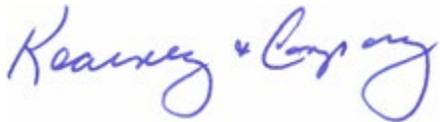
Risk assessments and tests of internal controls are necessary for management to make informed judgments as to the overall adequacy and effectiveness of internal control over operations, reporting, and compliance. Without a program to assess the design and effectiveness of its internal control, USAGM management may be unaware of significant internal control deficiencies that could impact the agency and the annual Statement of Assurance.

USAGM's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on USAGM's response to the findings identified in our engagement described in a separate letter included in this report as Appendix A. USAGM's response was not subjected to the other auditing procedures applied in the engagement to audit the financial statements and accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an engagement to perform an audit in accordance with *Government Auditing Standards* and OMB Bulletin No. 24-02 in considering USAGM's compliance. Accordingly, this report is not suitable for any other purpose.



Alexandria, Virginia
February 27, 2026



U.S. AGENCY FOR
GLOBAL MEDIA

February 27, 2026

Mr. Arne B. Baker
Senior Official Performing the Duties of the Inspector General
Office of Inspector General
U.S. Department of State
1701 Fort Myer Drive
Arlington, VA 22209

Dear Mr. Baker:

The U.S. Agency for Global Media (USAGM) appreciates the work of your office and Kearney & Company in conducting the FY 2025 financial statement audit under challenging circumstances.

USAGM acknowledges the disclaimer of opinion issued on its FY 2025 financial statements. The disclaimer reflects limitations encountered during the audit process that prevented the auditors from obtaining sufficient appropriate evidence to form an opinion.

During FY 2025, USAGM experienced significant operational and organizational changes, workforce transitions, and compressed reporting timelines. These conditions affected documentation, control evaluation activities, and audit readiness.

Management recognizes its responsibility for maintaining effective internal control and for ensuring the reliability of financial reporting. In FY 2026, USAGM has initiated corrective actions to strengthen financial management processes, enhance documentation and oversight, and reestablish a structured internal control assessment program consistent with OMB Circular A-123.

USAGM is restoring full audit readiness and reinforcing the financial management framework necessary to support accountability to Congress and the American public.

We appreciate the professionalism and engagement of your office and the audit team throughout this process.

Sincerely,

A handwritten signature in black ink, appearing to read 'AS' with a flourish.

Anthony R. Smith
Chief Financial Officer