



Memorandum Report



OIG-CA-14-014

TERRORIST FINANCING/MONEY LAUNDERING: Review of
Travel to Cuba by Shawn Carter and Beyoncé Knowles-Carter
August 20, 2014

Office of
Inspector General

Department of the Treasury

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OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

August 20, 2014

OIG-CA-14-014

MEMORANDUM FOR ADAM J. SZUBIN
DIRECTOR
OFFICE OF FOREIGN ASSETS CONTROL

FROM: Sharon Torosian /s/
Director, Boston Office

SUBJECT: Review of Travel to Cuba by Shawn Carter and Beyoncé
Knowles-Carter

This memorandum represents the results of our review of a trip to Cuba by the couple Shawn Carter (whose stage name is Jay-Z) and Beyoncé Knowles-Carter (Beyoncé) to determine whether the trip violated U.S. sanctions. Based on our review of available documentation and applicable regulations and guidance, we found no indication that U.S. sanctions were violated, and we concluded that the Office of Foreign Assets Control's (OFAC) decision not to pursue a formal investigation was reasonable.

We shared a draft of the memorandum with OFAC management. In a written response, included as attachment 1, OFAC stated that it agreed with our conclusion that OFAC was reasonable in its determination that there was no apparent violation of U.S. sanctions with respect to the trip. OFAC had no additional comments. A distribution list for this memorandum is provided as attachment 2.

Background

In April 2013, various media reported that Jay-Z and Beyoncé celebrated their 5th wedding anniversary in Cuba. The reports prompted members of Congress to ask the Department of the Treasury (Treasury) whether the trip violated the U.S. travel ban to Cuba for tourist activities. According to Treasury's response, the trip did not violate U.S. sanctions and was licensed under OFAC's people-to-people educational exchange program. Our objective was to determine (1) OFAC's guidelines for travel to Cuba under the people-to-people educational

exchange program, (2) whether the couple's trip was conducted in accordance with those guidelines, and (3) whether OFAC's decision not to pursue an enforcement case for violations of U.S. sanctions was reasonable.

To accomplish our review, we interviewed officials from OFAC's Cuba travel program. We also reviewed OFAC's guidelines for the people-to-people educational exchange program, documentation from OFAC, media reports concerning the trip, and other publically available information. Our field work was conducted from April to June 2013. We conducted our review in accordance with the Council of Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

People-to-People Educational Exchange Program

Federal regulations governing the U.S. trade embargo against Cuba were amended in 2011 permitting OFAC to issue specific licenses to organizations that sponsor and organize educational exchange programs that promote people-to-people contact in Cuba.¹ These licenses permit organizations to arrange group travel to Cuba as long as the tours sufficiently involve activities that are educational in nature and promote meaningful interaction between the travelers and the Cuban people. Individuals who wish to travel under the people-to-people program do not need a license from OFAC but they are required to travel with an OFAC-licensed operator. The operator must have the participants engaged in a full-time schedule of educational exchange activities.² Trips related to activities that are primarily tourist-oriented, including self-directed educational activities that are intended only for personal enrichment, are not authorized by OFAC.

To obtain an OFAC license, an organization must describe in its application how the proposed educational and people-to-people exchanges would enhance contact with the Cuban people, support civil society in Cuba, or help promote the Cuban people's independence from Cuban authorities. Applicants are also required to provide OFAC with a sample itinerary of full-time activities that will take place in Cuba. OFAC licenses typically expire after 1 year. An applicant wishing to renew a license must provide OFAC with a detailed report of all activities undertaken with the existing license and how the activities resulted in meaningful interaction between the travelers and individuals in Cuba.

¹ 31 C.F.R. § 515.565(b)(2)

² Licensees that fail to meet the requirements of their licenses may have their licenses revoked or be issued a civil penalty of up to \$65,000 per violation.

Jay-Z and Beyoncé's Cuba Travel Activities

In early April 2013, Jay-Z and Beyoncé visited Cuba under an OFAC license issued to a non-profit organization that has a mission to promote education in the fields of art, architecture, and the decorative arts. The media reported the couple was celebrating their 5th wedding anniversary. The reports included some of the activities they engaged in during the 4-day trip. Our review found these activities were consistent with the activities for which OFAC authorized the people-to-people license.

For example, one article reported the trip included a visit to a children's theater group and several clubs, where the couple heard live music and occasionally took to the dance floor. According to the article, they also toured Cuba's top art school, where they met with young artists, and ate at some of Havana's privately run restaurants, known as "paladares."³ One of the city's leading architects led the couple on an architectural tour of the Old City of Havana, during which the article stated the couple was mobbed by Cuban spectators.

We reviewed the OFAC case file for the non-profit organization. The case file included a renewal application filed in May 2012. We determined that a proposed itinerary included with the renewal application was consistent with OFAC's *Comprehensive Guidelines for License Applications to Engage in Travel-Related Transactions Involving Cuba*. These guidelines state that each traveler must have a full-time schedule of educational exchange activities that will result in meaningful interaction between the travelers and individuals in Cuba. The activities listed in the renewal application included a welcome dinner at a paladar, a guided walking tour of various neighborhoods in the Old City of Havana with a Cuban architect guide, a presentation of art students' work and an art studio visit guided by a Cuban professor, a visit to a local children's theater group, and a rehearsal at a practice studio of a Cuban dance company. According to the non-profit organization's renewal application, all of these activities serve the U.S. foreign policy goal of helping the Cuban people by facilitating exchanges with them and supporting the development of independent activity and civil society. OFAC did not object to these activities and renewed the non-profit organization's license in October 2012; that license was in effect during the period of Jay-Z and Beyoncé's travel to Cuba.

³ A paladar is a restaurant that has been allowed by the Cuban government to operate in a private home. By eating in private residences, instead of state-run restaurants, diners support the economic independence of these establishments.

Jay-Z and Beyoncé's activities described in media articles were similar to those included in the proposed itinerary supporting the approved license. Additionally, the activities described in the media articles were similar to activities the organization included in its renewal application that it planned to offer in future trips or had undertaken in a previous trip.

OFAC's Review

OFAC decided not to open a formal investigation into whether the non-profit organization that sponsored Jay-Z and Beyoncé's trip to Cuba violated U.S. sanctions. According to an OFAC official, after speaking with the non-profit organization and reviewing requested documentation from the trip, OFAC determined there was no apparent violation of U.S. sanctions. As a result, OFAC concluded no further investigation was necessary. We noted, however, that OFAC did not prepare a written record of the basis for its conclusion, which is contrary to internal control standards and Treasury documentation requirements.⁴

Conclusion

OFAC is authorized to license travel to Cuba for people-to-people educational exchanges that enhance contact with the Cuban people, support civil society in Cuba, or help promote the Cuban people's independence from Cuban authorities. Based on our review of the applicable laws and regulations, OFAC guidelines, the OFAC case file for the non-profit organization including related correspondence between OFAC and the organization, and inquiry of OFAC officials, we believe OFAC's determination that there was no apparent violation of U.S. sanctions with respect to Jay-Z and Beyoncé's trip to Cuba was reasonable. While we are not making a formal recommendation in this

⁴ The Government Accountability Office (GAO) has established standards for internal controls in the federal government, which include that all transactions and other significant events be clearly documented in federal records, and the documentation be readily available for examination. *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1, (Nov. 1, 1999). Treasury's documentation requirements are established in Treasury Directive Publication 80-05, which states that all program officials shall create and maintain adequate and proper documentation of the program for which they are responsible. This means a record of the conduct of government business that is complete and accurate to the extent required to document the organization, functions, policies, decisions, procedures, and essential transactions of their office and to protect the legal and financial interest of the government and of persons directly affected by the activities of their office. Treasury Directive Publication 80-05, "Records and Information Management Manual" (June 2002).

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memorandum, we believe that OFAC should document in its files with a summary of the basis for its determinations with respect to this matter.

If you have any questions about this memorandum, please contact me at (617) 223-8638. Office of Inspector General staff who made key contributions to this report are Jenny Hu, Auditor-In Charge, and Jason Madden, Auditor-In-Charge.

Attachments

MEMORANDUM

TO: Sharon Torosian
Audit Director
Office of the Inspector General
Department of the Treasury

FROM: /s/
Director
Office of Foreign Assets Control

DATE: July 28, 2014

SUBJECT: Response to the Office of the Inspector General's Review of April 2013 Travel to Cuba by Shawn Carter and Beyoncé Knowles-Carter

Thank you for sharing the draft memorandum of the Office of the Inspector General (OIG), sent on July 18, 2014, summarizing the results of its review of Shawn Carter and Beyoncé Knowles-Carter's trip to Cuba in April 2013. The OIG concludes in its draft memorandum that the Office of Foreign Assets Control (OFAC) was reasonable in its determination that there was no apparent violation of U.S. sanctions with respect to the trip. OFAC agrees with this conclusion and has no additional comments to make at this time.

Department of the Treasury

Deputy Secretary
Under Secretary for Terrorism and Financial Intelligence
Office of Strategic Planning and Performance
Management
Office of the Deputy Chief Financial Officer, Risk and
Control Group

Office of Foreign Assets Control

Director

Office of Management and Budget

OIG Budget Examiner