




~~SENSITIVE BUT UNCLASSIFIED~~

November 13, 2015

MEMORANDUM

TO: CA/FO – Michele Bond, Assistant Secretary

FROM: OIG/INV – Geoffrey A. Cherrington, Assistant Inspector General for Investigations 

Attached for your information and review is the Office of Inspector General (OIG) for the Department of State (Department) and the Broadcasting Board of Governors (BBG), *Management Assistance Report: U.S. Embassy Mexico City Cashier Operations (INV-15-01)*. This report was prepared by the OIG's Office of Investigations, under the Inspector General's continuing responsibility to assist management through independent reviews of Department and BBG operations. This report was previously provided to your office on June 9, 2015. We received comments back from your office on September 29, 2015. Please review the updated report and provide a response to the recommendations within 10 business days of receipt.

The official response should be signed, dated, and printed on letterhead and should indicate agreement or disagreement with the recommendation. If the response indicates disagreement with the recommendation, the response should provide the reasons for disagreement and propose an alternate remedy to address the findings. Please have your staff send an electronic copy of the official response to me, Geoffrey Cherrington, Assistant Inspector General for Investigations, at [\[Redacted\] \(b\) \(6\)@state.gov](mailto:[Redacted] (b) (6)@state.gov).

To ensure that OIG's work products are timely and responsive to its stakeholders, OIG policy is to issue final reports without comments if the comments are not received by the date requested.

OIG appreciates the cooperation and assistance provided by your staff. If you have any questions, please contact me at [\[Redacted\] \(b\) \(6\)@state.gov](mailto:[Redacted] (b) (6)@state.gov).

Attachment: As stated.



OIG

Office of Inspector General

U.S. Department of State • Broadcasting Board of Governors

INV-15-01

Office of Investigations

November 2015

Management Assistance Report: U.S. Embassy Mexico City Cashier Operations

MANAGEMENT ASSISTANCE REPORT

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Summary of Report

The Office of Inspector General (OIG), Office of Investigations (INV), initiated an investigation based on information received from a U.S. Embassy, Mexico City, Mexico employee, who reported in December 2012 that the embassy's Financial Management Center (FMC) wrote two cables (12 MEXICO 7224 and 7226) detailing cashiering discrepancies totaling approximately \$6 million. A preliminary inquiry into the matter revealed that the cashiering discrepancies were caused by incorrect depositing procedures and incorrect attribution of deposits to accounting codes. Out of the \$6 million in funds, all but approximately \$50,000 were accounted for.

During the course of the investigation, INV identified vulnerabilities in the manner in which cashier operations at the U.S. Embassy Mexico City were conducted. The identified vulnerabilities, if not mitigated, could make the embassy's cashiering programs and processes susceptible to fraud, waste, and abuse. This report provides recommendations to eliminate or mitigate the identified risks.

BACKGROUND

Due to the dollar amount of consular fee collections it processes, the U.S. Embassy in Mexico City is one of the largest Department of State (Department) cashier operations. On average, more than \$1 million dollars is collected daily by CSC, the Global Support Strategy (GSS) contractor responsible for collecting Machine Readable Visa (MRV) fees on behalf of Mission Mexico. CSC collects MRV fees from nonimmigrant visa customers via partnerships with Mexican banks and credit card processors. In coordination with their partners, CSC initiates daily sweeps into the U.S. Disbursing Office (USDO) accounts at the Mexican bank Banamex, located in Mexico City, and provides the Class B cashier with a daily report. The Class B cashier makes deposit entries into the Embassy's cashier codes and has the subsequent responsibility to reconcile these deposits with the deposits made to the USDO, assigned to the Global Financial Services Center (GFSC), in Charleston, per 4 FAH-2 H-111.

The embassy's Financial Management Center (FMC) operated two cashier codes, MXA and MXB, which represent cashiers who received deposits from various embassy sources. The MXA cashier handled the embassy's internal day-to-day operations, and the MXB cashier (a different cashier) handled the external operations. While most of the deposits came from consular fees, other embassy offices such as the General Services Office (GSO) also made deposits to the cashiers. These deposits were routed to the USDO account at Banamex, where the money is withdrawn and monitored by GFSC.

FINDINGS

INV's investigation into the U.S. Embassy Mexico City cashier operations revealed a number of

concerns regarding inefficiencies and lack of internal controls and established procedures pertaining to cashier operations.

Between September and December 2012, the embassy's FMC could not account for approximately US\$6 million in funds. An internal review of the cashier operations at the embassy was conducted by GFSC cashier monitors in Charleston in December 2012. Of the US\$6 million in unaccounted funds, all were accounted for except for \$49,364.38. The GFSC review also determined the following:

1. The cash operation was not effectively or efficiently run, with issues of timeliness and a lack of understanding of regulations by embassy financial management officials;
2. There was an absence of internal controls and a lack of separation of cashier duties;
3. One cashier was incorrectly processing vouchers for both the MXA and MXB accounts, which contributed to both accounts being out of balance;
4. The monthly collection verifications were not being performed in a timely manner; and;
5. There was a lack of cashier accountability and verification related to the improper usage of the check book function in the WinACS program (the Department's cashiering system), improper front-loading of sub-cashier debit cards, and transactions being incorrectly entered into the check book function.

The cashier monitors identified 53 recommendations and included them in a cashier operations action plan for the MXA and MXB accounts at post. INV conducted an additional forensic audit review of the cashier monitor's actions to reconcile the account. As part of this, INV forensic auditors reviewed all MXA and MXB cash reconciliations for April 2012 through July 2013 to verify the data and determine the status of the funds. The discrepancies discovered in the accounts were due to the mismanagement of the funds and insufficient management controls. OIG's investigation uncovered incomplete monthly reports and limited documentary evidence to explain discrepancies. In addition, OIG was unable to determine which individuals were involved with questionable transactions. OIG found that one of the cashiers was deceased, which made it difficult for OIG to identify all individuals with firsthand knowledge of the operations occurring at that time. Consequently, INV was unable to determine the whereabouts or status of the missing funds, or assign accountability of the missing funds to any one individual. Therefore, OIG did not substantiate any fraud, and referred the matter to the Department for action. The unaccounted funds from the MXA and MXB accounts were Mexico New Pesos \$541,713.01 (or the equivalent of US\$40,682.72) and US\$8,681.66, respectively, which total U.S. \$49,364.38, thus confirming GFSC's findings.

The investigation additionally found violations of *Foreign Affairs Handbook* regulations (4 FAH-3 H-390) involving cashier operations at the embassy:

1. Failure to perform monthly, unannounced verifications of cashier activities of cash accounts MXA and MXB;
2. Co-mingling of cash accounts MXA and MXB;

3. Ineffective and inefficient cash operations not aligned with policy;
4. Failure to train and assign experienced cashiers; and
5. Sharing of computer and account passwords and safe combinations among different cashiers.

RECOMMENDATIONS

OIG issued four recommendations to U.S. Embassy Mexico City to improve cashier operations at the embassy:

Recommendation 1: OIG recommends that U.S. Embassy Mexico City conduct reconciliations and unannounced verification of funds on a monthly basis, as required by 4 FAH-3 H-397 1.2(a) and (b).

Recommendation 2: OIG recommends that U.S. Embassy Mexico City's Financial Management Center review internal controls for the fiscal irregularities identified and improve oversight procedures by conducting additional reviews of cashier operations. U.S. Embassy Mexico City needs to independently verify that its Financial Management Center performs its required monthly reviews and closeouts of cashier accounts, pursuant to 4 FAH-3 H-393.3-3.

Recommendation 3: OIG recommends that U.S. Embassy Mexico City require all principal and alternate cashiers to complete the Department of State Global Financial Services Center's basic cashier training course, as required by 4 FAH-3 H-393.1-1.

Recommendation 4: OIG recommends U.S. Embassy Mexico City take immediate action to cease co-mingling of cashier accounts and the sharing of passwords and safe combinations. U.S. Embassy Mexico City needs to implement enhanced internal controls of financial transactions and improved security procedures to prevent these issues from recurring.

Recommendation 5: OIG recommends U.S. Embassy Mexico hire an external forensic auditor to conduct an audit of the MXA and MXB accounts to account for the \$49,364.38 in missing funds.



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