

## 4 FINANCIAL AND PROPERTY MANAGEMENT

The Department operates in a complex and challenging global environment. As a result, the Department manages one of the U.S. Government's most complex financial operations. Operating around-the-clock in over 270 locations and 180 countries, we conduct business in over 135 currencies, account for \$100 billion in assets, maintain 225 bank accounts around the world, execute over 6,000 annual foreign currency purchases and sales valued at over \$4 billion, and manage real and personal property capital assets with historical costs of more than \$34 billion.

Department officials at all levels, both at home and abroad, are dedicated to ensuring effective management controls and oversight over the resources entrusted to the Department. In doing so, the Department has received five consecutive unmodified opinions (FY 2012-2016) from the external Independent Auditor on our annual Department-wide financial statements. In addition, the Department ended FY 2016 with no reported material weaknesses in internal controls over financial reporting. Last year, in recognition of the exceptional quality of the Department's Agency Financial Report, the Association of Government Accountants awarded the Department the prestigious Certificate of Excellence in Accountability Reporting.

The following are examples of improvements in response to OIG recommendations as well as additional information about a recommendation with which the Department disagrees:

- The Department disagrees with OIG's assertion that the Statement of Assurance (SoA) process itself is deficient, but agrees that improvements in posts' reporting of deficiencies through other means are needed. Improvements made to the SoA process included updating and expanding the Management Controls Checklist that was distributed to Assistant Secretaries and Chiefs of Mission, providing in-person training to Bureau Management Control Coordinators, providing SoA training to a Post Management Officer course at the Foreign Service Institute and to managers in the Arms Control and International Security bureaus during 2017. In addition, the Bureau of Population, Refugees and Migration disseminated a risk management policy and program review memorandum that includes standard operating procedures for the annual SoA.
- The Department worked to update the content on management control responsibilities for its Ambassadorial Seminar and its Deputy Chief of Mission/Principal Officers' Seminar.
- The Department initiated a strategic review of the International Cooperative Administrative Services System (ICASS). As part of the review, the Department is identifying services that support the ICASS platform that could be realigned into ICASS, rather than being funded exclusively by the Department or direct-charged to agencies.
- The Department uses several tools to actively monitor cashiering operations, including cashier system controls and an oversight cashier monitor function carried out by the Bureau of the Comptroller and Global Financial Services (CGFS). Cashier Monitors review post cashier transactions and work to ensure compliance with monthly unannounced cash counts and reconciliations of the Cashier's accountability performed by the Foreign Service Financial Management Officer or the Management Officer at each Post. CGFS measure posts' performance with this compliance on a monthly basis and has developed an annual Cashier Operations Based Risk Assessment tool to help prevent theft, fraud and misuse of cash within the operations deemed higher risk. The tool analyzes operational risk, verification and controls and an overall cashier operation assessment. CGFS also conducts on-site reviews of all Class B Cashier operations at least every five years, which provides an in-depth history of operations and post actions on findings.