



HIGHLIGHTS

Office of Inspector General
United States Department of State

ISP-I-26-18

What OIG Evaluated

In January 2026, the U.S. Department of State-funded active security assistance programs in Mexico totaled \$145 million. The purpose of this security assistance is to help dismantle drug cartels, combat narcotics trafficking, and strengthen border security. In the FY 2026 National Defense Authorization Act, Section 8365, Congress required OIG to evaluate the fraud risks associated with the Department's security assistance to Mexico.

Accordingly, OIG conducted this evaluation to: (1) determine whether the Department was positioned to identify and mitigate fraud risks associated with security assistance provided to the government of Mexico, in accordance with federal fraud risk principles and Department requirements, and (2) evaluate how Department bureaus providing security assistance to Mexico mitigate fraud risk.

What OIG Recommends

OIG made 8 recommendations to the Department to improve the Department's identification and mitigation of fraud risks in its security assistance programs in Mexico. OIG made 3 additional recommendations in a Sensitive But Unclassified annex to this report. In its comments on the draft unclassified report, the Department concurred with all 8 recommendations. OIG considers all 8 recommendations resolved. The Department's response to each recommendation and OIG's reply can be found in the Recommendations section of this report. The Department's formal responses are reprinted in their entirety in Appendix B.

June 2026

OFFICE OF INSPECTIONS EVALUATION

Evaluation of Fraud Risks Associated With the U.S. Department of State's Security Assistance to Mexico

What OIG Found

The Bureau of International Narcotics and Law Enforcement Affairs (INL), which administered approximately 91 percent (\$132 million) of U.S. security assistance in Mexico as of January 2026, was generally well positioned to manage fraud risk in accordance with federal fraud principles and Department requirements. INL had identified inherent fraud risks, assessed the likelihood and impact of these risks, determined its fraud risk tolerance, examined the suitability of existing fraud controls, and documented the program's fraud risk profile. However, INL's office in Mexico did not prioritize residual fraud risks, did not have a defined process for updating the fraud risk profile, lacked key elements in its resulting antifraud strategy, and did not explicitly evaluate fraud risks as part of its annual country risk assessment.

The Bureau of Arms Control and Nonproliferation (ACN), which oversaw 9 percent (\$13.3 million) of U.S. security assistance in Mexico in January 2026, had not applied any of the prescribed fraud risk principles at the bureau- or program-level.

OIG found that INL and ACN relied on award management, monitoring, and vetting of potential recipients of security assistance equipment and training to mitigate fraud risks in Mexico. However, the bureaus did not consistently assess fraud risks in their awards to interagency partners and international organizations. INL's office in Mexico implemented end-use monitoring, but risks remained due to the number of INL-donated items and security conditions limiting on-site reviews. These deficiencies—stemming in part from gaps in integrating fraud-specific risks into award design and in INL's controls over end-use monitoring—leave the Department vulnerable to taxpayer-funded equipment, training, or assistance in Mexico being misused by individuals involved in drug trafficking, terrorism, or other activities contrary to U.S. law and foreign policy objectives.

Additional information on fraud mitigation efforts through vetting programs are provided in a Sensitive But Unclassified annex.