



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

April 4, 2018

OIG-CA-18-016

MEMORANDUM FOR DEPARTMENT OF DEFENSE
LEAD INSPECTOR GENERAL

FROM: Gregory Sullivan /s/
Audit Director

SUBJECT: Operation Inherent Resolve - Summary of Work Performed by
the Department of the Treasury and Office of Inspector
General Related to Terrorist Financing, ISIS, and Anti-Money
Laundering

This summary provides an update to the Department of the Treasury (Treasury) programs to combat terrorist financing and specific examples of activities to disrupt the Islamic State of Iraq and Syria's (ISIS)¹ financing, and work performed by Treasury Office of Inspector General (OIG) to review these programs. These activities occurred subsequent to our January 2018 summary. Per your request, we have provided this information in a question and answer format to help streamline the information.

Q1: During Quarter 2, has your office performed any activities such as congressional/public hearings, inter-agency coordination efforts, etc. related to the line of effort: Disrupting ISIL Finances? If so, please provide a brief summary.

Our office did not perform any activities such as congressional/public hearings or inter-agency coordination efforts. Our office primarily performs audits of Treasury programs and operations. The audits our office issued this quarter did not relate to disrupting ISIS' finances, however, Treasury has global terrorism authorities to target the activities of extremist groups, including ISIS. Treasury's Office of Terrorism and Financial Intelligence (TFI) disrupts the ability of terrorist organizations to fund their operations. Within TFI, the Office of Foreign Assets Control (OFAC) administers the U.S. foreign sanction programs and the Financial

¹ Using ISIS instead of Islamic State of Iraq and the Levant (ISIL) to be consistent with the *Presidential Memorandum Plan to Defeat the Islamic State of Iraq and Syria* (January 28, 2017).

Crimes Enforcement Network (FinCEN) administers the Bank Secrecy Act (BSA).² The Office of Terrorist Financing and Financial Crimes (TFFC) is responsible for formulating and coordinating comprehensive strategies to target national security and foreign policy threats and safeguard the U.S. and international financial systems from abuse. TFFC also supports TFI's mission through its leadership of the U.S.' delegation to the Financial Action Task Force (FATF).³

TFI performed and/or contributed to the following activities such as congressional/public hearings, inter-agency coordination efforts, etc. associated with combating terrorist financing:

- January 2018, FATF Report, *Financing of Recruitment for Terrorist Purposes*

In January 2018, FATF issued its report entitled *Financing of Recruitment for Terrorist Purposes*. One of the main objectives of the report was to understand the costs associated with different methods and techniques of terrorism recruitment. Among other findings, the report found that more information is required on the costs associated with producing high-quality recruitment materials, such as the online magazines and video games produced by ISIS. The production of these materials, and their continuous availability online, requires a certain level of expertise and equipment, which is likely to have some financial implications and could generate a financial footprint.

- January 17, 2018, Treasury Testimonies, *Testimony of Sigal Mandelker Under Secretary, Terrorism and Financial Intelligence U.S. Department of the Treasury Senate Committee on Banking, Housing, and Urban Affairs*

On January 17, 2018, Sigal Mandelker, Under Secretary, Terrorism, and Financial Intelligence testified to the Senate Committee on Banking, Housing, and Urban Affairs explaining the critical work TFI performs to safeguard the U.S. and international financial systems. Some of the topics addressed were TFI's actions addressing threats to the U.S. financial system, strengthening anti-money

² The Currency and Foreign Transactions Reporting Act of 1970, commonly referred to as BSA, requires U.S. financial institutions to assist U.S. government agencies to detect and prevent money laundering. Specifically, the act requires financial institutions to keep records of cash purchases of negotiable instruments, file reports of cash transactions exceeding \$10,000 (daily aggregate amount), and report suspicious activity (SARs) that might signify money laundering, tax evasion, or other criminal activities. BSA is also referred to as the "anti-money laundering" (AML) law. Several AML acts, including provisions in Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), have been enacted to amend the BSA.

³ FATF is an inter-governmental body established in 1989. Its objectives are to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.

laundering/combating terrorist financing framework, and promoting information sharing among financial institutions. Ms. Mandelker also testified that terrorist groups such as ISIS seek to infiltrate the financial system to fund their activities and threaten our national security.

- February 15, 2018, Treasury Statements & Remarks, *Counter ISIS Finance Group Leaders Issue Joint Statement*

On February 11, 2018, Treasury participated in the ninth meeting of the Counter ISIS Finance Group (CIFG).⁴ CIFG members exchanged information and shared national strategies to identify and disrupt ISIS financial facilitation networks within members' domestic jurisdictions and around the world. In a joint statement, the leaders of CIFG acknowledged that though the coalition has successfully retaken over 98 percent of the territory ISIS once controlled in Iraq and Syria, the fight is not over. While ISIS' revenues have significantly declined, so have its expenses, making the work of the CIFG more important than ever.

- February 13, 2018, Treasury Statements & Remarks, *U.S. Department of the Treasury Under Secretary Sigal Mandelker Speech before the Securities Industry and Financial Markets Association Anti-Money Laundering & Financial Crimes Conference*

On February 13, 2018, Ms. Mandelker addressed the Securities Industry and Financial Markets Association Anti-Money Laundering and Financial Crimes Conference. She informed the group that TFI views its enforcement program as a key pillar in their effort to protect the U.S. financial system and national security. She also commented that the financial industry needs to ensure compliance programs are robust, and suggested additional steps on how the industry could strengthen their programs.

- February 23, 2018, FATF Press Release, *Outcomes FATF Plenary, 21-23 February 2018* and February 23, 2018, FATF Press Release, *FATF Actions Taken Under the 2016 Counter-Terrorist Financing Operational Plan*

On February 21-23, 2018, Treasury participated in the FATF Plenary meeting. One of the main issues addressed was combatting terrorist financing, which included the adoption of a new counter-terrorist financing operational plan and a statement on actions taken under the 2016 counter-terrorist financing strategy. To further enhance the international fight against terrorist financing, particularly the threat

⁴ Established in January 2015, the Counter ISIS Finance Group is a key component of the Global Coalition to Counter ISIS, a broad international group formed to degrade and ultimately defeat ISIS. The mission of the Global Coalition to Counter ISIS is to disrupt ISIS' sources of revenue and its ability to move and use funds to wage its campaign of terror. The U.S. co-chairs the group with Italy and Saudi Arabia.

posed by ISIS, the Plenary adopted a new operational plan of action. During the Plenary, FATF also provided members with five updates on ISIS' financing that highlighted members' actions to disrupt this terrorist organization's financial flows. Choking off ISIS' funding is a priority for the FATF, but it also focuses on other terrorist groups that have a catastrophic impact on the regions they operate.

Q2: Provide information on: (a) individuals and organizations sanctioned for providing support to ISIS during this reporting period (Jan. 1 – Mar. 31); (b) the total number of individuals and organizations sanctioned for providing support to ISIS since 2014; and (c) trends in sanctions and designations (1) since 2014, (2) this calendar year, and (3) this quarter (i.e., has there been an increase, decrease, or no change in the number of sanctions and designations issued by Department of Treasury related to the counter-ISIS campaign?).

Since 2014, Treasury has designated a total of 61 individuals and entities providing support to ISIS pursuant to Executive Order 13224. Included in this total are three individuals and three entities Treasury designated on February 9, 2018, for providing support to ISIS and advancing the terrorist group's operational activity.

February 9, 2018, Treasury Press Release, *Treasury Sanctions ISIS Facilitators Across the Globe*

The following individuals and entities were designated:

Abdulpatta Escalon Abubakar (Abubakar) was designated for assisting in, sponsoring, or providing financial, material, or technological support to or in support of ISIS. Abubakar has served as a key facilitator for ISIS and its network in the Philippines since at least January 2016. In July 2017, Abubakar worked with an ISIS member in the Philippines to facilitate the transfer of approximately \$5,000. In August 2016, Abubakar helped facilitate the transfer of approximately \$50,000 to ISIS' network in the Philippines. In July 2016, ISIS, through Abubakar, sent approximately \$20,000 to ISIS elements in the Philippines. The funding may have been used to purchase weapons.

Yunus Emre Sakarya (Sakarya) and Profesyioneller Elektronik were designated for assisting in, sponsoring, or providing financial, material, or technical support to or in support of ISIS. Sakarya has served as a key facilitator involved in the procurement of unmanned aerial vehicle (UAV) components for ISIS since at least 2015. In 2015, Sakarya created and operated a Turkey-based company, Profesyioneller Elektronik, which serves as an ISIS front company involved in the procurement of UAV-related materials. In early to mid-2016, Profesyioneller Elektronik was involved in transactions for UAV-related equipment for ISIS that totaled over \$500,000.

Mohamed Mire Ali Yusuf (Mire Ali) was designated for assisting in, sponsoring, or providing financial, material, or technological support to or in support of ISIS. Liibaan Trading and Al-Mutafaq Commercial Company were designated for being owned or controlled by Mire Ali. As of mid-2016, Mire Ali was an ISIS-aligned financial operative who provided funds to U.S. designated Abdulqadir Mumin for his ISIS-aligned activities.⁵ During mid-2016, Mire Ali ran all of his business activities through his company, Liibaan Trading, located in Boosaaso, Somalia. Mire Ali was the sole owner of Liibaan Trading, a livestock trading business that served as a front for ISIS-aligned groups in the Bari region of Somalia.

We do not have information on trends in sanctions and designations (1) since 2014, (2) this calendar year, and (3) this quarter. We requested this information from TFI and will provide in the next quarterly report, if available.

Q3: Provide a publicly releasable update on ISIS' ability to finance its operations, including: (a) a description of current revenue sources and buyers; (b) an estimate of revenue generated during this reporting period (FY18, QTR2) and how it compares to prior quarters; and (c) an assessment of the group's ability to sustain itself over the next one to three years.

We requested this information from TFI and will provide in the next quarterly report, if available.

Q4: Provide a publicly releasable summary of the actions Treasury has taken to counter ISIS' efforts to move funds out of Iraq and Syria, especially the use of informal money transfers such as hawalas in order to shift funds.

We requested this information from TFI and will provide in the next quarterly report, if available.

⁵ The U.S. Department of State designated Abdulqadir Mumin on August 31, 2016.