

**TESTIMONY  
OF  
MICHAEL T. DOUGHERTY  
DIRECTOR OF OPERATIONS  
U.S. IMMIGRATION AND CUSTOMS ENFORCEMENT  
DEPARTMENT OF HOMELAND SECURITY**

**BEFORE THE  
SENATE CAUCUS ON INTERNATIONAL NARCOTICS CONTROL**

**MARCH 4, 2004**

**Introduction**

Good morning, Chairman Grassley and Members of the Caucus. I am honored to appear before you to discuss the financial enforcement and economic security efforts and accomplishments of the Department of Homeland Security's (DHS) Immigration and Customs Enforcement (ICE). Established in March 2003, ICE is the Federal government's newest—and second largest—investigative agency. Through its legacy components, ICE brings to bear significant financial, commercial and trade enforcement expertise, broad statutory authorities, and innovative investigative techniques. ICE combines once-fragmented resources and develop a focused and integrated strategy to combat systemic vulnerabilities that threaten U.S. economic security.

By initiating a systemic approach to financial and economic crime – and terrorist financing – in a post-9/11 environment, Federal law enforcement must move beyond investigating crimes on a case-by-case basis and also focus on the financial, commercial and trade systems themselves, which are vulnerable to exploitation by criminal and terrorist organizations. While ICE will continue to

investigate crimes that have already been committed, our ultimate goal is to detect and close down system-wide vulnerabilities *before* a terrorist organization can earn, move, or store illicit funds via those systems. In this way, ICE's systemic approach goes far beyond earlier methodologies and greatly enhances our ability to close the gaps in our financial and economic systems – gaps that terrorists and other criminal organizations exploit.

In the realm of terrorist financing, it has proven difficult to link the profits from the sale of narcotics, counterfeit merchandise or contraband cigarettes directly to a terrorist organization, or that an unlicensed money broker was sending millions of dollars directly to a terrorist organization. In certain instances, the investigation and prosecution of these underlying criminal activities as separate, stand-alone violations, is the most effective method to disrupt these organizations and cut off terrorist's access to funds. By taking this line of attack, and working closely with the private sector to help detect typologies that are clearly being exploited or are potential targets, our goal is to shut down these avenues of both terrorist and criminal financing.

This systemic approach not only defines ICE's strategic line of attack against terrorist financing; it also outlines ICE's approach to coordination with other Federal agencies. ICE maintains a close working relationship with agencies within the Department. For example, the financial investigative work of the U.S. Secret Service perfectly complements the work of ICE, and vice-versa. Together, our two

agencies are at the core of protecting the critical financial and commercial infrastructure of this Nation's economy. ICE similarly coordinates with U.S. Customs and Border Protection on international trade issues. The full spectrum available to the Department of Homeland Security to protect all aspects of the U.S. economy is truly remarkable.

It is important, however, that DHS coordinate equally effectively outside of the Department. We must develop a strong financial information-sharing process with the Department of Treasury. We must coordinate closely with the Drug Enforcement Administration on counternarcotics, sharing our narcotics intelligence with them and helping them to track down leads through our National Money Laundering Coordination Center. And, together, all of us must coordinate with the FBI when we come across clear and specific evidence of terrorist conspiracy or financing.

The goal of ICE is *not*, generally, to prove individual terrorist connections. Actual terrorist financing cases are relatively rare and very difficult to prove. In those rare cases where we are positively able to identify specific links to terrorist organizations, we have protocols in place through our Memorandum of Agreement with the Federal Bureau of Investigation to coordinate the investigation between our Departments.

However, the overwhelming majority of financial and economic crime occurs outside the scope of such specific cases, and yet we know that illicit funds continue to flow into the hands of terrorists. So while it is imperative that we aggressively prosecute specific terrorist cases, it is equally imperative that we take a *systemic* – rather than case-by-case – approach to financial and economic crime as a way to dismantle the funding mechanisms for criminal and terrorist organizations.

The Department of Homeland Security is doing that. Working with Under Secretary Hutchinson and Secretary Ridge, ICE developed a program called Cornerstone. The mission of Cornerstone is to coordinate ICE's various economic investigations – whether it's money laundering, the illegal export of controlled technology and arms, commercial fraud, smuggling operations, or intellectual property rights and trade violations – into an integrated program to combat systemic vulnerabilities that threaten U.S. economic security and ultimately the safety of our Homeland.

There are three key aspects to the Cornerstone approach:

1. Mapping and coordinating the investigation and analysis of various financial, commercial, and trade crimes that, as a whole, threaten U.S. economic security;
2. Intensive outreach, networking, and information-sharing with the private sector in order to work together to detect and close down systemic vulnerabilities in the affected industries;

3. Gathering, assessing, and distributing intelligence indicating red flags in the economy to the private sector, Congress, domestic and foreign law enforcement and intelligence communities.

This approach has proven very successful for DHS in attacking the financial lifeblood of terrorist and criminal organizations. Examples of the complex and high-impact investigations pursued by ICE include initiatives such as the Bank of Commerce and Credit International (BCCI) in Tampa, Operation Greenback in South Florida, Operation Casablanca in Los Angeles, and Operation Green Mile in Phoenix. In addition, ICE now leads New York's El Dorado Task Force, a High Intensity Drug Trafficking Area Program initiative, and Miami's Foreign Political Corruption Task Force. These operations and task forces, some of which have existed for decades, have resulted in the seizure of more than \$900 million.

Since ICE's inception on March 1, 2003, ICE financial investigations have resulted in more than 1300 arrests, 720 indictments, 560 convictions, and seized approximately \$150 million. But more important than case statistics is Cornerstone's guiding principle of adaptability. Until recently, the Cornerstone program focused primarily on money laundering and financial investigations. And yet, as a recent General Accounting Office (GAO) study reported, terrorists have available to them alternative financing mechanisms, such as counterfeit merchandise operations, intellectual property rights violations, and other

commercial fraud; earning and moving dollars via precious stones and metals; trade-based money laundering; Internet schemes; and online gambling.

Because of the broad spectrum of economic investigative authorities and resources available to ICE, we can – and have – gone after each of these realms of potential criminal and terrorist financing.

Just last month, ICE affected the largest takedown ever of cigarette smuggling operations into the United States. ICE had an equally significant case taking down a money-laundering operation using gold to move and store revenues in Massachusetts. Am I suggesting that either of these cases has a direct link to terrorism? No, I am not. I am suggesting that each of these cases represent a system open to exploitation – whether by criminal or terrorist organizations. And while we must work with the FBI and our other colleagues in law enforcement to develop leads to prove such terrorist links, we must also continue to dismantle the systems that we know undermine the security of the American economy – whether they be a terrorist organization or strictly a criminal one.

The unique concentration of financial and economic enforcement assets at ICE allows for the Department of Homeland Security to continuously evolve to address the ever-changing threats to the integrity of the U.S. economy. Recently, this was demonstrated by a new initiative from ICE's Miami and foreign attaché offices, in conjunction with the U.S. Attorney's Office. ICE identified that foreign government

officials, identified as Politically Exposed Persons (PEPs), were purchasing assets in the U.S. with criminally derived proceeds from the Caribbean, Central, and South American countries. In response to this threat, ICE developed the Foreign Political Corruption Task Force to address foreign public corruption and related money laundering. This task force works in coordination with the State Department, other domestic ICE field offices, foreign attachés, and representatives of the foreign governments where public funds have been embezzled.

Similarly, ICE has achieved great success in identifying other systems that have been used by narcotics traffickers, arms traffickers, and terrorist networks to finance their activities. These systems include trade-based money laundering, such as the Black Market Peso Exchange (BMPE), as well as hawalas, bulk cash smuggling, the misuse of money service businesses, and the exploitation of charities and non-government organizations.

Indeed, each violation within the spectrum of DHS/ICE's investigative purview – Financial Investigations, Export and Arms Control, International Trade, Commercial Fraud, Intellectual Property Rights, Cyber Crimes, Smuggling (contraband, narcotics, weapons, bulk cash, etc.), and even Immigration Violations (such as human smuggling and benefits fraud)– has a financial component that impacts the economic security of the United States. The new phase of Cornerstone will map and coordinate *all* of the economic aspects of these investigations to develop an

integrated systems-based approach to safeguarding our national economic security.

### **Private Sector Partnerships**

As I said earlier, the key to Cornerstone's success is not simply law enforcement. If we are going to detect weaknesses in our economic systems, then it is critical that we develop a strong working partnership with the private sector. We must not only look to the industries for information about potential vulnerabilities; we must initiate a pro-active information-sharing program to help the industries protect them from exposure.

Through these partnerships, ICE shares real-time information on specific system vulnerabilities. Via Cornerstone, ICE holds training and information sharing seminars with the private sector and publishes red flag alerts to vulnerable industries in products such as Tripwire, a new quarterly report that we publish and post on the Internet that identifies and details examples of economic vulnerabilities. You have a copy of Tripwire on your desk. Since its inception, Cornerstone has conducted 38 presentations to approximately 1,700 participants from the private sector and both U.S. and foreign government agencies.

### **Investigative Successes**

I noted earlier a number of ICE investigative successes and would like to provide a brief outline of a few of our significant ongoing investigations:



- In Northern Virginia, ICE, FBI and the Internal Revenue Service are conducting a joint investigation of charities and non-governmental organizations suspected of money laundering, tax fraud, and terrorist material support violations. As a result, Suleiman Biheiri has been convicted of immigration violations and Abdulrahman Alamoudi has been indicted for violations of immigration law, money laundering (including structuring), and the International Emergency Economic Powers Act (IEEPA).
- In the New York/Newark Metropolitan area, the ICE-led El Dorado Task Force conducted joint investigations targeting money service businesses operating without a license. In the last year, these investigations resulted in 65 arrests, 59 indictments, and 44 convictions.
- In Miami, the ICE-led Foreign Political Corruption Task Force is conducting investigations of former high-ranking officials in the Nicaraguan government. Two officials have already been convicted in Nicaragua for embezzlement. ICE agents have identified millions of dollars in cash and property that represent the proceeds of illegal activity by these officials and have seized approximately \$5.5 million in assets in the United States.

Through these investigations, ICE has demonstrated the benefits derived from the USA PATRIOT Act, specifically the statutory changes related to bribing public officials, unlicensed money service businesses, bulk cash smuggling, and the expanded authority to identify accounts belonging to suspects. These successes

would not have been possible without Congress's decisive and immediate enactment of the USA PATRIOT Act, enabling law enforcement to more effectively investigate money laundering and terrorist financing.

## **Conclusion**

ICE continues to evolve to match its investigative priorities with the critical concerns of this Nation. The integration of the statutory authorities and investigative tools from the former Customs Service and the former Immigration and Naturalization Service has enabled ICE to more effectively target vulnerabilities that facilitate illegal activities.

In conclusion, I would like to thank Chairman Grassley and the Members of the Caucus for the opportunity to testify before you today and highlight the investigative efforts and successes of such a premier law enforcement agency. It would now be my pleasure to answer any questions you may have.