



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

July 8, 2020

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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 Related to Terrorist
Financing, ISIS, and Anti-Money Laundering for Third Quarter
Fiscal Year 2020

This summary provides an update on the Department of the Treasury's (Treasury) programs to combat terrorist financing and activities to disrupt the Islamic State of Iraq and Syria's (ISIS) financing. Per your request, we have provided this information in a question and answer format to help streamline the information. This information is provided by Treasury management and not audited by Treasury Office of Inspector General.

Q1. In a publicly releasable format, provide information on individuals and organizations sanctioned for providing support to ISIS as follows:

- a. **The cumulative number of individuals and organizations sanctioned (by Treasury, not cumulative with State) for providing support to ISIS since 2014 through the reporting period April 1, 2020 – June 30, 2020.**

Treasury uses the full range of its authorities to aggressively target ISIS leaders and operatives around the world. These efforts have resulted in the United States designating 90¹ ISIS-associated individuals and organizations since 2014.

¹ Treasury previously reported 95 ISIS-associated individuals and organizations sanctioned since 2014 (OIG-CA-20-016). Treasury management stated that 90 is the correct number of ISIS-associated individuals and organizations sanctioned since 2014, and that they only became aware of the discrepancy in their numbers this quarter. Treasury management could not reconcile or determine where the discrepancy occurred.

- b. Details on individuals and organizations sanctioned for providing support to ISIS during the reporting period: April 1, 2020 – June 30, 2020.**

Treasury had no new designations this quarter.

- c. The number, if any, of previously sanctioned individuals and/or organizations removed from the sanctions list during the reporting period: April 1, 2020 – June 30, 2020.**

No sanctioned individuals or organizations were removed from the sanctions list this reporting period.

- d. Describe what is being done with Coalition partners in Iraq and Syria to disrupt ISIS financial networks.**

Treasury told us it continues to work with interagency and Coalition partners, including the Government of Iraq, to prioritize identifying ISIS's financial reserves and financial leaders, disrupting its financial facilitation networks in Iraq, and designating ISIS facilitators, front companies, and fundraisers in Iraq, Syria, Turkey and elsewhere. Treasury also takes a leadership role in the Global Coalition to Defeat ISIS, serving as a co-lead of the Counter ISIS Finance Group (CIFG). Currently, co-leads are planning a virtual CIFG meeting this summer and an in-person CIFG meeting this fall, with a regional focus on West Africa and Sahel.

- e. Describe ISIS funding in Iraq and Syria, to include the estimated amount of funds at its disposal, how funds are generated and distributed, and any shortfalls in the amount or distribution of funds this quarter.**

Treasury told us that ISIS continues to raise funds through extorting, looting, kidnapping for ransom, and using front companies. ISIS continues to have access to financial reserves in the hundreds of millions of dollars. Treasury assesses that the group's revenues in Syria remain at historic lows due to its lack of territorial control over extortable populations or recurrent access to natural resources.

Q2. Describe ISIS's ability to move funds into and out of Syria and Iraq, particularly through Turkey or other neighboring countries.

Treasury told us ISIS primarily uses cash couriers, hawaladars, and money services businesses to move funds within and out of Syria and Iraq, including through neighboring countries. Turkey, in particular has been used by ISIS to facilitate money movements, as highlighted by the designation of more than 10 Turkey-based ISIS facilitators or money services businesses in the past nine months.

Q3. Describe whether the fighting in western Syria has had any impact on ISIS financing this quarter or its ability to move funds.

Treasury told us that in Syria, ISIS continues to use cash couriers, hawaladars, and money services businesses to move funds, including through neighboring countries. Treasury told us they could not draw a causal relationship or conclusions between the fighting in western Syria and its impact on ISIS's ability to generate or move funds during this period.

Q4. Describe the extent to which the redistribution of U.S. and Coalition forces in Iraq and the redeployment to Erbil has affected ISIS's financing in Iraq or ability to move funds this quarter.

Treasury told us that following ISIS's territorial defeat, and continuing through this quarter, it is regrouping in Iraq, particularly rural areas in northwest Iraq. In this territory, ISIS carries out small-scale attacks and kidnappings. These trends in ISIS's adaptation to the current environment remain ongoing during the redistribution of U.S. and Coalition forces, however, Treasury told us they could not draw a causal relationship or make conclusions on the impact on ISIS's ability to generate or move funds.

Q5. In a publicly releasable format, provide information on individuals and organizations sanctioned by Treasury for providing support to Al-Shabaab, Boko Haram, Jama'a Nusrat ul-Islam wa al-Muslimin' (JNIM), Al-Qaeda in the Islamic Maghreb (AQIM) and ISIS and affiliates as follows:

- a. **The cumulative number (through Q3, FY 20) of individuals and organizations sanctioned by Treasury for providing support to Al-Shabaab, Boko Haram, JNIM, AQIM and ISIS and affiliates since 2016.**

Treasury designated 25 individuals or entities for providing support to Al-Shabaab, Boko Haram, JNIM, AQIM and ISIS and affiliates since 2016.

- b. **Details on individuals and organizations sanctioned by Treasury for providing support to Al-Shabaab, Boko Haram, JNIM, AQIM and ISIS and affiliates during this reporting period: April 1, 2020 – June 30, 2020.**

Treasury did not designate any individuals or entities for providing support to Al-Shabaab, Boko Haram, JNIM, AQIM and ISIS and affiliates in the reporting period April 1, 2020 – June 30, 2020.

- c. **The number, if any, of previously sanctioned individuals and/or organizations removed from the sanctions list during the reporting period: April 1, 2020 – June 30, 2020.**

Treasury did not remove any individuals from the sanctions list during the reporting period April 1, 2020 – June 30, 2020.

Q6. Describe what is being done with Coalition partners in East and Northwest Africa to disrupt Al-Shabaab, Boko Haram, JNIM, AQIM and ISIS and affiliates financial networks.

Treasury told us that the Somali Federal Government, backed by the United States and the African Union Mission to Somalia, continues efforts to recapture major roadways in southern Somalia from Al-Shabaab, in order to deny Al-Shabaab revenue from operating tolls along roadways.

Q7. Describe Al-Shabaab, Boko Haram, JNIM, AQIM and ISIS and affiliates in East and Northwest Africa, to include the estimated amount of funds at its disposal, how funds are generated and distributed, and any shortfalls in the amount or distribution of funds this quarter.

Treasury told us that Al-Shabaab, Boko Haram, JNIM, AQIM and ISIS branches and networks in Africa are primarily financed by extortion in the regions in which they operate. These groups use the threat of violence to extract payments, typically in cash or in-kind from herders, merchants, fishermen, and farmers in the rural regions where African extremist groups operate. Al-Shabaab likely operates the most extensive revenue-generating apparatus among African extremist groups, extorting economic activities throughout central and southern Somalia, even in urban centers not controlled by the group. Al-Shabaab collects extortion payments through a variety of means, including using the hawalas, mobile money platforms, and banks that comprise Somalia's financial system.

Q8. Describe the ability of Al-Shabaab, Boko Haram, JNIM, AQIM and ISIS and affiliates to move funds in East and Northwest Africa.

Treasury told us that Al-Shabaab and ISIS-Somalia are likely both well-positioned to use Somalia's loosely regulated network of hawaladars and mobile money services to store and move funds within Somalia, as well as move funds to locations in Eastern and Southern Africa where Somali diaspora populations exist.

Treasury also told us that AQIM, JNIM, Boko Haram, ISIS-West Africa, and ISIS-Grand Sahara likely experience moderate difficulty moving funds throughout Northwest Africa. The generating of resources via in-kind payments and the risk of cash couriers being interdicted by security forces, likely hinder these groups' abilities to move funds over substantial distances.

Q9. Describe how the COVID-19 pandemic affected Treasury's programs focused on Operation Inherent Resolve, Operation Freedom's Sentinel, Operational Preparation of the Environment, and East and Northwest Africa Overseas Contingency Operations.

Treasury told us that COVID-19 has caused Treasury to delay the next in-person CIFG meeting from April to this fall. However, Treasury told us work by Coalition members to continue to disrupt ISIS financial networks has not slowed.