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COUNTER–TERRORISM FINANCING FOREIGN TRAINING AND ASSISTANCE: PROGRESS SINCE 9/11

HEARING

BEFORE THE

SUBCOMMITTEE ON
OVERSIGHT AND INVESTIGATIONS

OF THE

COMMITTEE ON FINANCIAL SERVICES

U.S. HOUSE OF REPRESENTATIVES

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COUNTER–TERRORISM FINANCING FOREIGN TRAINING AND ASSISTANCE: PROGRESS SINCE 9/11

Thursday, April 6, 2006

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON OVERSIGHT
AND INVESTIGATIONS,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:00 a.m., in room 2128 Rayburn House Office Building, Hon. Sue W. Kelly [chairwoman of the subcommittee] presiding.

Present: Representatives Kelly, Garrett, Gutierrez, Lynch, Scott, Cleaver, Wasserman-Schultz, and Moore of Wisconsin.

Chairwoman KELLY. This hearing of the Subcommittee on Oversight and Investigations will come to order.

Without objection, all members' opening statements will be made part of the record.

The subcommittee will hear the testimony of two panels this morning. Mr. Walker, I know you are familiar with our light system so I am not going to bother to explain it. Without objection, you know your written statement will be made part of the record and you know that you will be recognized for approximately 5 minutes for your testimony. And with that, I am going to talk for a minute about what the subject of this hearing is—counter-terrorism financing foreign training and assistance, the progress that we have made since 9/11.

This committee has been working very hard to improve efforts to stop terror financing, both within the United States and overseas. There have been many successes, but we know that terror networks will always adapt to our successes in tracking their financial activities. As the terrorists continue to adapt, the cooperation of other nations becomes even more essential. Recent examples remind us of the continuing need to secure better assistance from other nations in fighting terror financing. Just last week, The New York Post reported that a bank in New York had moved more than $1 billion to terrorist havens in the so-called tri-border area of Brazil, Argentina, and Paraguay. The Holland-based ABN AMRO was recently fined $80 million for facilitating illegal trades with Iran and Libya. And, as we speak, the Nation of Jordan, an important strategic ally of ours, still lacks appropriate financial defenses, despite reports that their financial system is being used to finance the insurgency, and despite the Arab Bank scandal, which revealed

glaring weaknesses in the Jordanian-controlled bank. Our efforts to compel better cooperation in securing the international financial system rely on a strong and unified approach from the Federal agencies which share the responsibility on this issue. Unfortunately, we find that this cooperation is often lacking.

This committee has seen it firsthand. For example, the State Department testified before the International Relations Committee in 2004 that Saudi Arabia had established a Financial Intelligence Unit. Later that same year, Treasury Department officials testified before this committee on more than one occasion that the Saudis had not yet established an FIU. I went to Riyadh last year and found out that the Treasury Department was correct. While the Saudis have made substantial progress in the last year towards establishing an FIU, the point remains that Treasury and State were not on the same page regarding an important anti-terror financing tool in a critically important country.

The question is, what does this say about the broader efforts? The GAO has presented us with another troubling example with a detailed report requested by Senators Grassley, Collins, and Durbin, on interagency cooperation in assisting other countries in counter-terror cooperation. This report concluded that better cooperation was needed between State, Treasury, and other agencies in developing priorities delivering aid and assessing results. In particular, the GAO report found that State and Treasury disagreed about who the lead agency is in technical assistance to foreign countries. The U.S. Government does not yet have a system of measuring the effectiveness of aid delivered. The Treasury Department lacked the ability to provide an accurate account of terrorist funds frozen. Unfortunately, these conclusions are not as surprising as they should be. And we have to do more now to unify the Government's efforts.

I have sponsored legislation with Mrs. Maloney that would provide an objective assessment measure on technical assistance. The Treasury-led certification regime on money laundering and terrorism financing in H.R. 3505 would allow each nation to be graded on how well it is doing. The fat of process is no longer an adequate measure or else State and Treasury would only be working with two countries and not a dozen. This legislation passed the House by a vote of 415 to 2, and it is now under consideration in the Senate. Without some public measure of effectiveness, America's businesses, investors, and taxpayers will never know if our efforts are adequate or not. A fragmented approach sends the wrong message to other nations whose cooperation we are seeking.

What I am hopeful to hear today are answers from these agencies that will help us heal the fractures that I feel are undermining the fight against terror financing.

Thank you very much for being here, and I turn now to Mr. Gutierrez.

Mr. GUTIERREZ. Good morning, a special good morning to you, Chairwoman Kelly. I want to thank you very much for calling this hearing. At the February 15th hearing, a number of us asked OFAC director Warner about the GAO report, and I am pleased that we will have an entire hearing devoted to the subject today. I am particularly pleased to welcome the Honorable David M.

Walker, Comptroller General of the GAO. Ms. Kelly and I have been keeping your staff busy with other GAO reports, and I must commend them on their excellent work. I am also pleased that we are joined by representatives of State, Treasury, and Justice here today.

The GAO report indicated a number of problems in the overall efforts to combat terrorist financing, many of which were directly linked to turf battles between Treasury and State. Therefore, I am very interested in learning what steps have been taken in the face of that report to improve the working relationship between the agencies and how the roles, responsibilities, and procedures are defined when the agencies work together on designations and blocking assets. I am also very interested to learn why the agencies have ignored most of the GAO's fine recommendations regarding the development of a strategic plan and a Memorandum of Understanding between the agencies.

Finally, there was a point mentioned in the GAO report, which several of my colleagues noted back in February. The GAO recommended that Treasury provide more complete information on the nature and extent of asset blocking in its Annual Terrorists' Assets Report to Congress. I was shocked to see that Treasury's reply to this recommendation was that the Agency objected, and instead wanted the GAO to recommend discontinuing these reports. As a Member of Congress, particularly a member of this Oversight Subcommittee, I want this information. I understand that we should receive the next one this month. I think we need an accurate way to measure your effectiveness. If these snapshots do not provide us with that ability, please helps us figure out how to assess your performance and include additional information to place the numbers in context.

I want to thank you very much, and I look forward to your testimony, Mr. Walker.

Chairwoman KELLY. Thank you. Mr. Lynch.

Mr. LYNCH. Thank you, Madam Chairwoman. I want to thank you, as well as the ranking member, for your great work on this. I also want to thank the members of the panels that we have today for helping Congress in this important work. This is probably one of the most important hearings that our subcommittee could be focusing on right now. There has been, I think, considerable progress made up to this point, but having spent—I just returned from my fourth trip to Iraq and also visiting Afghanistan, having been in Amman, Jordan and Ramallah on the West Bank, there is a lot of work that remains to be done. I want to just acknowledge the work that has been done thus far.

One of the interesting conversations I had with a couple of our generals in east Fallujah about a month ago, I asked our generals and a couple of the colonels there, I said, "How much of the foreign-based insurgency is attributable to foreign fighters, how much of the insurgency is attributable to foreign activity, foreign financed, foreign equipped, foreign fighters?" And they estimated that it was probably about 30 percent; 25 to 30 percent is foreign-sponsored of the insurgency in Iraq. And I said, "How much of this would go away if we were able to cut off the financing? How much of this insurgency would stop if we were able to scale down the insurgency

and the United States were able to eventually withdraw?" And their estimation was that all of it, or nearly all of it, would go away.

So sometimes we think about the work on anti-terrorist financing as being a latent threat, that people are out there plotting against us and that they may, at some point, take action. I just want to report for this committee's benefit that the threat is active and the threat is ongoing, and that the work that we do here on this committee and that is being done by the Agencies present here today, has very real results on the ground in Iraq and Afghanistan and elsewhere in the world.

I do want to say that along with some of the successes we have had there are some frustrations. And I have read the GAO report, and I know that it hallmarks certain areas. But one is the seemingly—well, it seems like turf battles between various agencies involved, and that is discouraging because of the work we need to do, and also some resistance by foreign governments in Amman, in Syria, and some of the lack of counter-terrorist measures in places like Ramallah, where the financing situation there is basically without any reliable controls.

I guess what I would want to say is that we are looking for ways to help as Members of Congress, and this is not a Democrat versus Republican thing, this is for the benefit of our troops and of our Nation, as well as our international partners, against terrorism. And this is sort of where the rubber meets the road. And so we need to know from all of the witnesses today what we can do to help you do your job and where would Congress' best efforts lie in terms of producing the greatest benefit in this war on terrorism and on terrorism financing. I look forward to the responses of both our panels, and again I want to thank Madam Chairwoman and Ranking Member Gutierrez for their great work on this.

I yield back.

Chairwoman KELLY. Thank you, Mr. Lynch. Mr. Scott?

Mr. SCOTT. Thank you very much, Madam Chairwoman. And, again, I want to just thank you, as the chairwoman of our subcommittee, and Ranking Member Gutierrez, for convening another hearing. This is an extraordinarily important hearing. And as we look out at this country, each generation has had to rise to the occasion to meet its great challenges. In the revolutionary period, there was a Revolutionary War, and the Civil War, and they all rose to their occasions, all the way down through World War I and II, the Depression, each generation faced theirs. Well, this war on terror is this generation's moment of challenge to maintain the greatness of this country and the civility of the world. With that, however, it is very, very disheartening, and quite frankly, very scary to read about the turf battles among the various Departments and Agencies involved with the Terrorist Financing Working Group, TFWG. President Bush's Administration is constantly defending itself from charges of an inability to coordinate efforts and respond to unique challenges, whether they be intelligence failures before and after September 11th, or Katrina preparation and response, and most recently we caught another glimpse of the Administration's coordination shortcomings, the shocking events surrounding the Dubai ports deal.

The United Arab Emirates' connection to terrorist financing seems to have been ignored in the approval of the sale of P&O and the WF Ports world deal. Members of Congress, ourselves, and even the President of the United States himself, did not find out about the deal until it appeared on every front page of every newspaper in this country and was the leading story in every newscast on television and radio in this country.

The GAO report offers specific examples of childish squabbles among the members of the body whose job it is to identify countries vulnerable to terrorist financing. The GAO report offers us both a potential partial explanation as to why this deal was allowed to go through, but it also is very important to treat this report as yet another opportunity for us to improve upon the Bush Administration's, and the entire Federal Government's, prosecution of the war against fundamental terrorism. We have so much work to do. This is a new ball game for us. We must rise to this occasion. The future of our country, future generations, are depending upon us.

So I look forward to this hearing. I look forward to the recommendations of the GAO for fixing some of the TFWG's problems and how the Departments of State, Treasury, and Justice plan to address them. I am very hopeful that our witness will impress upon their bosses, Secretary Rice, Secretary Snow, Attorney General Gonzales, that this committee's desire is to see that the TFAG's coordination is improved. This Nation's future is very much in your hands, and certainly in our hands as Congress, and the Nation is very much tuned into this. They are watching. They are looking. Quite frankly, they are hoping. And they are praying that we get it right.

Thank you, Madam Chairwoman.

Chairwoman KELLY. Thank you, Mr. Scott. Mr. Walker, we welcome you. We have our first panel here, the Honorable David M. Walker. He is the Comptroller General of the GAO. David Walker became the seventh Comptroller General of the United States and began his 15 year term when he took his oath of office on November 9, 1998. As Comptroller General, Mr. Walker is the Nation's chief accountability officer and head of the U.S. Government Accountability Office. That is a Legislative Branch Agency that was founded in 1921. The mission of the GAO is to help improve the performance and assure the accountability of the Federal Government for the benefit of the American people.

And, as you have heard here this morning from the statements, Mr. Walker, that is the purpose of this hearing. We are concerned that we do, as Mr. Scott, my colleague said, that we do get this right. We appreciate that you are able to find time to be here this morning, and we look forward to your testimony.

I have already described the function of the lights. You know how they work. And please proceed.

STATEMENT OF THE HONORABLE DAVID M. WALKER, COMPTROLLER GENERAL OF THE UNITED STATES, GOVERNMENT ACCOUNTABILITY OFFICE

Mr. WALKER. Madam Chairwoman and members of the subcommittee, it is a pleasure to be before you. I am glad I was able to work out the time to come, I think this is a very important topic.

I would like to address some of our recent work dealing with counter-terrorism financing efforts, primarily based upon the GAO report that was issued in October of 2005. I would also like to recognize for the record your work, Madam Chairwoman, and the work of this subcommittee in providing leadership in this area, which is very much appreciated and very important.

As you have said on many occasions, Madam Chairwoman, disrupting terrorist financing can raise terrorists' cost and risks of gathering and moving assets and is necessary to impede their ability to carry out significant operations.

In October of 2005, GAO issued a report on the United States' efforts to counter terrorist financing abroad. We noted that the United States plays an active and ongoing role in building international support for measures to combat terrorist financing. For example, the U.S. Government has participated in efforts to develop and implement international standards to combat terrorist financing, sometimes leading these efforts. The United States also conducts various intelligence and law enforcement activities designed to identify and disrupt the flow of terrorist financing abroad. These activities include, among other things, gathering intelligence and sharing information with other countries.

Further, the United States provides training and technical assistance to help countries that are vulnerable to terrorist financing activities and to help them establish effective counter-terrorism-financing regimes.

In addition, the United States has participated in global efforts to publicly designate individuals and groups as terrorists and to block their access to assets.

As our October 2005 report showed, much has been accomplished by the combined efforts of these agencies. However, our report also noted that various challenges exist that could serve to negatively impact our effectiveness, as well as Congress' ability to perform its own oversight, appropriations, and other activities.

I might note, as is contained in my written statement, which you have kindly put into the record, that GAO is not only involved in doing our traditional oversight, insight, and foresight work in this area, but we also are involved as part of the international auditor community. We are head of strategic planning for auditors general around the world and on the board of directors of the International Organization of Supreme Audit Institutions, which is comprised of 186 countries, and has a task force focusing on what auditors general can do to help in this area. And let me say for the record, including to the agencies that are here, we can help, we are willing to help to the extent that they deem it possible and appropriate, obviously without compromising our independence.

Although the U.S. Government provides a range of training and technical assistance to countries it deems vulnerable to terrorist financing, it does not have a strategic and integrated plan to coordinate the delivery of this assistance. We found that interagency efforts lack three basic elements that we believe are critical to effective execution of operations within and across agencies. First, there needs to be key stakeholder acceptance of the various roles and responsibilities and procedures that will be used. Secondly, there needs to be strategic alignment of resources, which are limited to

meet essential needs. And, thirdly, there needs to be a performance measurement process in order to assess the effectiveness of activities that are being engaged in.

In our October 2005 report, we recommended that the Secretaries of State and the Treasury, in consultation with the National Security Council and other Government agencies, implement an integrated strategic plan and sign a Memorandum of Agreement or Memorandum of Understanding to improve coordination of counter-terrorism-financing training and technical assistance. In their March 2006 letters to the Congress regarding their responses to our recommendations, State and Treasury describe, in general, certain steps that they are taking to improve the interagency process. For example, working with one another and with the Terrorist Finance Working Group (TFWG) members, to review and revise related procedures and to try to obtain better acceptance. However, the letters do not provide any information regarding steps to systematically assess and align U.S. resources with country needs or to measure the results of the training and technical assistance, and they did not address our recommendation for the need for a Memorandum of Agreement.

U.S. agencies have accomplished much in their efforts to combat terrorism-financing abroad. Despite the difficulties of interagency coordination, TFWG has delivered counter-terrorism-financing training and technical assistance to numerous vulnerable countries and as designated and blocked significant amounts of terrorist assets. However, without a strategic and integrated plan for coordinating the funding and delivery of training and technical assistance by agencies, the U.S. Government cannot maximize the use of its resources in the fight against terrorist financing. Interagency disputes over State Department-led TFWG roles and procedures have hampered TFWG leadership and, unfortunately in some cases, wasted valuable staff time and talent.

Furthermore, the U.S. Government's, including TFWG's, failure to integrate all available U.S. and international resources may result in missed opportunities to leverage resources to maximize value and mitigate risk.

Finally, without a functional performance measurement system, TFWG lacks the information needed for optimal planning and coordination, and Congress lacks the information that it needs to conduct effective oversight.

Finally, with regard to the Congress. In view of Congressional interest in U.S. Government efforts to deliver training and technical assistance abroad to combat terrorist-financing and the difficulty of obtaining a systematic assessment of U.S. resources dedicated to this endeavor, as stated in our report, we would respectfully suggest that Congress should consider requiring the Secretary of State and the Secretary of the Treasury to submit a meaningful annual report to the Congress, showing the status of interagency efforts to develop and implement an integrated strategic plan and to ensure that a Memorandum of Agreement is entered into to assure the effective activities of TFWG and its related responsibilities.

Madam Chairwoman, this concludes my opening statement, and I would be more than happy to answer any questions that you or Ranking Member Gutierrez or any other members may have.

[The prepared statement of Mr. Walker can be found on page 84 of the appendix.]

Chairwoman KELLY. Thank you very much, Mr. Walker. We really appreciate your work on this, the work of your Agency, and the sincere effort to try to make sure that this becomes a reality sooner rather than later in terms of cooperation.

I would like to ask a couple of questions, we asked you to report on the status of interagency efforts and I am very interested in how Treasury works as a single Agency, in particular the relationship between the international affairs and the TFI stove pipes. Can you explain to the committee what coordination, if any, you saw between these two branches of the Treasury?

Mr. WALKER. Yes, there is detailed information contained in the report.

Chairwoman KELLY. Mr. Walker, do you want to identify this gentleman and have him come sit at the table?

Mr. WALKER. If you wouldn't mind, Madam Chairwoman, he is involved in the details.

Chairwoman KELLY. No, we would be very happy to have him.

Mr. WALKER. This is Loren Yager, who is one of our executives in the international affairs and trade area.

Mr. YAGER. Thank you, Madam Chairwoman. We looked at a number of the efforts in the specific field of terrorist financing training and, as we detail in the report, we found a number of activities that were ongoing, some were very successful and some indicated that there were disagreements between the agencies that frankly had not been resolved and these difficulties had persisted for some years in the time before the publication of our report. So I think it is certainly a mixed picture, as the Comptroller General has indicated. There were examples of successful coordination but there were other cases where the disagreements persisted for many years and, as you indicated, could have had an effect on the effectiveness of U.S. efforts, as well as the ability to take advantage of opportunities and needs outside of the United States.

Chairwoman KELLY. Can you give me any specific information about the TFI and the international affairs stove pipes?

Mr. YAGER. Well, our report, one of the things we tried to focus on in the report, and I think is part of our advantage, is the ability to look at the agencies who work together, not just within Treasury but also between Treasury, State, and Justice. And I think those were the areas where we found the most significant disagreements, that the procedures that Treasury has in place, when it delivers training and technical assistance, differed from those of what State likes to do. And so we found that some of those disagreements, certainly there were longstanding efforts to put this training in place, but at the same time when brought together through the TFWG, we found that they just were unable to resolve those differences, and it did affect their ability to deliver the training in vulnerable countries.

Chairwoman KELLY. Thank you very much. Mr. Walker, you mentioned the important role that FATF plays in the terrorist financing technical assistance role, but the NCCT list is now down to two nations and never was higher than 19 members. Given the

limited nature of the NCCT list, do you see the need for other public benchmark measures of terror financing effectiveness?

Mr. WALKER. As you mentioned before, Madam Chairwoman, I think FATF is focused on this issue and they have done some good work. At the same point in time, with their list now being reduced down to two, there is little question that I think we believe, and I am sure you will find that the other witnesses will state on the second panel, that the United States is concerned with well more than two countries. Therefore we should not just be focused on the list that FATF has.

Chairwoman KELLY. Thank you. I want to go to one more question about the lead agency role of the TFWG. It is not really spelled out in legislation. My question is whether or not you think we need legislation to clarify the roles and what other legislation you think might be necessary besides the annual report on the proposed MOA?

Mr. WALKER. We think it may be appropriate that there be legislation with regard to the annual report; legislation that would also require some type of clarity and a Memorandum of Agreement or Understanding between these parties, as I mentioned before. One would hope that you would not have to enact legislation to make that happen. But in the absence of the discretionary action by the Executive Branch, should the Congress so desire, that may be necessary.

I think it is important to think about what leadership means. You need to have a lead to try to help facilitate the development of a strategic and integrated plan that can be used for entities within Departments, as well as between Departments. That is critically important. But beyond that, and beyond overseeing and being aware of what all is going on, leadership in this regard may be more facilitation rather than control. This is one of the issues that has to be addressed as well. So you need to have a lead for development of a plan, for overseeing the execution of that plan, and you need to have a lead who is facilitating things getting done rather than controlling what is getting done. Sometimes people don't understand the difference between those functions.

Chairwoman KELLY. Well, I would hope that we might be able to work this out without legislation, but if legislation is needed, I am certainly sure that Mr. Gutierrez and I, as well as others on this subcommittee, and on the full Financial Services Committee, will be taking a look at that. And I very much appreciate the testimony that you have given. We turn now to Mr. Gutierrez.

Mr. GUTIERREZ. Thank you. Comptroller Walker, in your testimony you explained that the State Department's Office of the Coordinator for Counter-Terrorism is "charged with directing, managing, and coordinating all U.S. agency efforts to develop and provide counter-terrorism financing programs, including, but not limited to, those in priority countries." However, the Treasury Department responded to questions from Ranking Member Frank that Treasury believes that the State Department has the lead role only in coordinating these efforts, not in managing or directing, but coordinating. Can you explain the discrepancy?

Mr. WALKER. Ranking Member Gutierrez, that is directly the point that I am making. Without there being any clarification of

what leadership means, it means different things to different people based on what they would like it to mean. My view is what needs to be clarified is that you need to have a lead for developing that strategic and integrated plan. You need to have a lead who has overall responsibility for monitoring what is going on, for collecting that information, and for providing the periodic reporting to the Congress. At the same point in time, that lead is not necessarily someone who has to direct others. They need to try to provide reasonable assurance that people are meeting their part of the deal on the Memorandum of Agreement or Memorandum of Understanding. I would, however, respectfully suggest that in this area you want that lead to be a facilitator. We have a number of players on the field here. They all have significant capabilities. They all can make a difference and are making a difference, and I think part of the problem may be merely when you say "direct," that means that we are going to do it slower, and time is essential in this type of business. I do not know if we need somebody to direct; we need somebody to coordinate and facilitate.

Mr. GUTIERREZ. Forgive the redundancy of the question—I think, Madam Chairwoman, that this is where a lot of our efforts might have to be focused in terms of our conversations and dialogue with the different agencies in terms of those verbs—directing, managing, and coordinating, just who is in charge of what and what that really means and what the implications of those things are because then we get people coming, as the State Department did come and say, we do not direct, we do not manage, we coordinate. And then sometimes I think to myself, well, if you coordinate, maybe you do manage. Maybe we should flesh out some of those directives so that everybody knows exactly what is expected of them and that you could have better coordination, to be redundant once again with the word.

Comptroller Walker, the GAO made almost 2,000 recommendations last year. I know that most of your recommendations are taken very seriously and many agencies act quickly upon your suggestions. In your experience, where would you rank this audit in terms of compliance with your recommendations?

Mr. WALKER. First, one of our key performance measures in our Annual Performance and Accountability Report to the Congress and the American people is what percentage of our recommendations that we made 4 years ago have been adopted. And we monitor them in the interim. But we figure if people do not do it within 4 years, they are probably not going to do it. Last year, 85 percent of the recommendations that we made 4 years ago had been adopted within that 4-year period, some quicker than others. That is an all time record.

I would say based upon the letter responses that we have seen, they are partially adopting our recommendations but not fully adopting our recommendations. As I mentioned before, we do not see anything about a Memorandum of Agreement or Memorandum of Understanding. We have not seen an express commitment that there will be a strategic and integrated plan, and I am not sure if they are going to be able to reach agreement on what the role of the lead person or agency is or not. You can ask them. Therefore, I would say a partial adoption but not full adoption. In addition,

a couple of our specific recommendations were not directly addressed and responded to.

Mr. GUTIERREZ. Okay, thank you very much, Comptroller. I was going to ask those two questions, Madam Chairwoman, because I think they both go to the heart of what I know is your priority, and my priority, and the priority of the members of this subcommittee, in terms of helping to coordinate the efforts and giving the agencies everything they need, but at the same time helping.

Thank you very much, Comptroller Walker, for your answers and to our staff for all the wonderful work they have done. Thank you.

Mr. WALKER. Thank you. We have a great staff.

Chairwoman KELLY. Yes, you do. Mr. Lynch?

Mr. LYNCH. Thank you, Madam Chairwoman. Mr. Walker, in the GAO report that we have, in one of the sections that is particularly disturbing it says that, "In May of 2005, the State Department denied a Treasury official entry into a priority country to help set up an FIU, a Financial Intelligence Unit, at the Central Bank's minister's request. State officials told us because the country had been designated as a priority country after Treasury began preliminary work there, State wanted to conduct a TFWG assessment before allowing Treasury to continue its work. At the U.S. Embassy's request, State delayed the assessment and Treasury's work proceeded but the Treasury official's entry into the country was delayed several months."

That gives me a reason for grave concern about the cooperation and what is going on with these turf wars. What the heck is going on here if the State Department is not allowing Treasury to go into a certain country, and where we all know, Madam Chairwoman, that these FIU's are extremely important to have them established. Until we have them up and running and there is some cooperation within these governments, these fallen governments, they are tough enough to get anyway. It just frustrates me greatly that even though we had an agreement from the host agreement, the priority country, to set up an FIU, the State Department is blocking Treasury from going in and setting it up? I guess I have higher expectations of both Treasury and State in this matter. I am going to ask these folks when they come up what is going on here but I would like to have your impression as well?

Mr. WALKER. We did provide at least one example of where, because of the lack of understanding between the agencies regarding their respective roles and responsibilities and what it meant to be the lead, there was at least one occasion where assistance was not provided in a timely manner. Now, I am sure there are many other occasions where they did not have a problem, but there have been some where there has been a problem. I think it comes back to what we said before, what does it mean to be the lead? What is the understanding as to the different roles and responsibilities of these organizations? What are the agreed upon rules of procedure that they are going to operate under and as long as they operate under those procedures, you FYI somebody as to what you are doing. You do not get approval for what you are doing. After you have the strategic and integrated plan, after you have the Memorandum of Understanding or Agreement with those rules of engagement or rules of procedure, then how can you facilitate, not

control, how can you facilitate people being able to get things done quicker? So it goes back to our recommendations, and I would respectfully suggest, Mr. Lynch, that you may want to ask the directly responsible parties about this matter and how pervasive this may or may not be.

Mr. LYNCH. Thank you. Madam Chairwoman, I expect that type of difficulty and that type of resistance in dealing with a foreign country but it is unacceptable when it is our side. It is the U.S. Government, just different Departments of our Government having that type of difficulty. It really compounds the problem greatly.

Mr. WALKER. Candidly, as we all know, when you have a large organization, and the U.S. Government is a very large and complex organization, that has a number of different Departments and agencies and layers and players, this is not the only area in which we have had difficulty in coordinating. At the same time, when you are dealing with safety and security, which is the most fundamental, in Maslow's hierarchy of needs, it is the foundation that is the most important thing that everybody is concerned with, we need to find a way to be able to combat bureaucracy and get things done quicker.

Mr. LYNCH. Mr. Walker, in the last segment of your report, you talked about the lack of a measurement tool with regard to performance. And you mentioned that back in July of 2005, that the database and the software that had been recommended had not been implemented at that point. Has it since been adopted?

Mr. WALKER. Mr. Yager tells me that it has been promised but not delivered based upon the latest information that we have.

Mr. LYNCH. Okay, I think the Justice Department had a database that they recommended for measuring progress. Can I ask you is it functional or are we still talking?

Mr. WALKER. If you do not mind, Mr. Yager can.

Mr. LYNCH. Yes, I am fine with that. I am sorry, sir, what is your name again?

Mr. YAGER. My name is Loren Yager. I am a Director in GAO's International Affairs and Trade Group.

Mr. LYNCH. Okay, thanks for coming, thanks for your help.

Mr. YAGER. Thanks for your question. The issue that we raised, really there were two parts to your question, the first had to do with the performance indicators of OFAC and we did take a look to see whether those were in place and we asked numerous times before this hearing to try to find additional information regarding the status of that plan and their development of additional indicators. We have not received any indication that they do have a detailed plan worked out which would provide the kind of oversight that the Comptroller General has mentioned, the kind of indicators that demonstrate progress, and, frankly, to help resolve some of the disputes that may have been going on.

Mr. LYNCH. Okay, and last question, have they given you sort of a score card, State and Treasury, TFWG, or a country-by-country analysis of where we are in terms of our progress in either getting an FIU up and running or getting cooperation from the host government?

Mr. WALKER. We do not have that. It is something they may have but we do not.

Mr. LYNCH. Okay.

Chairwoman KELLY. Thank you, Mr. Lynch.

Mr. LYNCH. Thank you, Madam Chairwoman. I yield back.

Chairwoman KELLY. Mr. Scott.

Mr. SCOTT. Thank you very much, Madam Chairwoman. Mr. Walker, again thanks for appearing before the committee. As I mentioned earlier in my opening remarks, there is just so much at stake here. Every time an American gets on an airplane, goes into a mass meeting, or even comes out of his home now, there is a certain amount of fear. We have to show the American people that they are safe, and we are not doing that. And it is just ironic that the major reason is that apparently folks in the State Department think it is about them or folks in the Justice Department think it is about them. I want to ask you, first of all, about the report. In your testimony, your key recommendation, as I understand it, is that Congress require State and Treasury to submit an annual report to Congress showing how these Agencies have developed and implemented a strategic plan and a Memorandum of Agreement or Understanding. Take me through each of the Agencies and tell me why they are fighting you on this. Go ahead on that first point.

Mr. WALKER. First, I do not know if they are fighting us. The issue is, is it for the Executive Branch, and as you know, we are in the Legislative Branch. The Executive Branch needs to have a strategic and integrated plan to clarify what leadership means, who is responsible for what. One that has some metrics to be able to assess how you are doing and to be able to use that information as a basis for the annual report to the Congress. Information that we would be able to also take a look at and provide information for your benefit. So I think the key is you might ask them why they did not specifically address our recommendation on having a strategic and integrated plan, on executing a Memorandum of Agreement or Memorandum of Understanding, and other issues that were not directly addressed in their letter. I do not want to respond for them. They are in a better position to say why they did not respond.

Mr. SCOTT. Well, we will get to them but right now we only have you, so I have to ask you these questions because it is apparent that the problem is a lack of coordination or a lack of cooperation in terms of your recommendations with Justice and with the Treasury Department. Now, just according to your report, much of the dispute seems to be coming from the Departments of State and Treasury. Can I get a yes or no from you on that?

Mr. WALKER. That is correct. State is designated as the lead. There is a difference of opinion between State and Treasury as to what that means. And some of the challenges that we have seen, including the one that Mr. Lynch mentioned, had to do with a difference of opinion between State and Treasury.

Mr. SCOTT. Over turf, would you say that is the dispute?

Mr. WALKER. Over what the State Department's role and responsibilities are as being lead in this area, as to whether or not they are supposed to coordinate and facilitate or whether or not they are supposed to control and direct.

Mr. SCOTT. Okay, very good. Now, how would you categorize the Justice Department's participation?

Mr. WALKER. I would ask Mr. Yager to comment on that.

Mr. SCOTT. Yes.

Mr. YAGER. We directed our recommendation to the State Department and to the Department of the Treasury primarily because those are the two Agencies that have funding to perform the training and technical assistance. Justice does perform some training and technical assistance abroad, but they do that through the funds that are provided by one of those two other agencies. So in our recommendation we included this, and we directed it primarily at State and Treasury because they have the funding. We certainly believe that other agencies, like Justice in addition with the support of the NSC, should be involved in developing that plan. But because those were the two agencies with funding, we thought it was appropriate to direct our recommendation to them.

Mr. SCOTT. Okay, now, let me ask you this about the interagency Terrorist Financing Working Group, just give me a brief explanation of that group, what it is composed of and what its mission is as you understand it?

Mr. WALKER. First, we have a board that we can put up that shows you the composition of that group. And, Mr. Yager, if you could explain that board.

[Chart]

Mr. YAGER. This is a group, as you can see from the board, that contains a large number of members from within the key agencies. Given the importance of tracking and trying to combat and prevent financing from going to terrorists, the TFWG was created in order to bring all the groups together that have some role. The State Department chairs that TFWG through two of its sub-units. Of course, there are members of that group from Justice, from Treasury, as well as other Departments around. This is the attempt by the U.S. Government to get the right people into the room to talk about how progress can be made, not just on training but on a variety of other issues related to terrorist financing.

Chairwoman KELLY. Excuse me, but I would like to just simply point out that there is a copy of that chart in your packet in front of you. So if you cannot see the board, at least you can get it in paper in your hand and get it up close so you can read it.

Mr. SCOTT. Thank you.

Mr. WALKER. It is also in our testimony. If I can, Mr. Scott, let me come back at your first question. With regard to our recommendations for an integrated and strategic plan, with regard to our recommendations to clarify roles and responsibilities through a MOA and rules of procedure, and with regard to having metrics to measure how you are doing, I would say that is Management 101. If you want to maximize value and mitigate risks, by the way in this area there will never be zero risk, we will never be 100 percent safe, that is impossible. But what we need to do is target the resources and authorities that we have, which comes back to the thrust of our recommendation. Frankly, it applies in virtually every area of Government, it is even more critical when you are dealing with safety and security.

Mr. SCOTT. Thank you very much.

Chairwoman KELLY. Thank you, Mr. Scott. Mr. Cleaver.

Mr. CLEAVER. Thank you, Madam Chairwoman. At the last meeting, Ranking Member Barney Frank had asked for some information that was promised to the committee. Has that been forwarded?

Mr. WALKER. I was not here, so I will ask Mr. Yager.

Mr. YAGER. We did take a look at the hearing record and the discussion; we did not get a copy of the answers that might have been provided by the Agencies. So our most recent information that we worked off for the statement were the responses to our recommendations that were provided. We call them the 60-day letters. They were provided to the Chair of the appropriations committees, as well as the oversight committees. And that is the most recent information that we are working off of.

Mr. WALKER. Stated differently, as you know, statutorily the Agencies are required by law to respond within 60 days whether, and to what extent, they are going to adopt our recommendations. If Mr. Frank has additional information that has been provided by the Departments and Agencies, we have not been provided that. But if he does provide that to us, we would be happy to take a look at it.

Mr. CLEAVER. All right, I will pass that along to him. I did not know if he had been here, I came in late. But my number one question and concern is, as you know, we just raised the debt ceiling—well, not "we," I voted against it, but we are headed toward $9 trillion. We are borrowing money as if we can actually get out of debt by borrowing. And we do not seem to understand what you do not owe will not hurt you. But where we are now is we are borrowing a lot of money from a lot of different places. Some money we are borrowing—the top three, Japan, China, and the UK, that is 40 percent of our debt, which is owned by foreign republics. Two-thirds of that is with China and Japan. But we also owe OPEC almost $20 billion. Is it possible that we are inadvertently financing terrorists because of the debt we are wallowing in and continuing to go to foreign countries to pay for the operation of the U.S. Government?

Mr. WALKER. I do not think that we are inadvertently funding terrorists. I will say this, this country has three major financial deficits. We have a budget deficit. Last year, $760 billion on an accrual basis, a 35 percent negative bottom line, the worst in the history of the United States.

Mr. CLEAVER. $435 in this budget coming up, but go ahead.

Mr. WALKER. Well, that is on a cash basis. On an accrual basis, it is much worse than on a cash basis. Secondly, we have a balance of payments deficit, which includes a trade deficit. And now the percentage of our debt held by the public—that is held by foreign players is up to about 50 percent. Over 90 percent of the new debt that we have issued within the last several years has been purchased by foreign players, which means that we are increasingly turning over part of our mortgage to foreign players who may or may not share the same economic, foreign policy, and national security interests as the United States. And one of the reasons we have done that is because of our third deficit, we have a savings deficit. The United States is great at spending and poor at saving. Last year for the first time since 1933, the depth of the Depression, Americans spent more money than they earned. We had a negative

personal savings rate and the U.S. Government did too. So we are on an imprudent and unsustainable fiscal path. I would respectfully suggest the biggest threat to the future of the United States is our fiscal irresponsibility.

Mr. CLEAVER. That is exactly where I am going. Americans, if they understood this, would tremble at what we are laying out for our children and our grandchildren. And Asian markets are holding enough U.S. Treasury notes or U.S. assets, they could buy a controlling interest in almost every company being traded on Wall Street. And we cannot fight terrorism and ignore the debt and the fact—Asians have a 20 percent savings rate, ours is zero, negative zero. I think this is chilling.

Mr. WALKER. The last thing that I would say on this is it is pretty simple, the more of our debt that is held by foreign players, the less leverage we have on those foreign players, and the more leverage they have on us. It is that simple.

Chairwoman KELLY. Mr. Walker, just because the issue of the debt was brought up, do you have the percent of U.S. debt with regard to the GDP, the U.S. GDP? Isn't that around 32-, 35 percent?

Mr. WALKER. That is only for debt held by the public. If you add up debt held by the trust funds, which are Social Security and Medicare, which we have already spent that money in other Government operating expenses, you can roughly double the percentage of GDP. And so it depends upon whether you are just talking about debt held by the public or total debt. If you take the $8.1 trillion, we were at about $8.1 trillion, the economy is what, $11 trillion to $12 trillion, the total debt is about $8.1 trillion. And Congress just authorized taking it up to about $9 trillion. By the way, I would respectfully suggest that we need to raise the debt limit because otherwise we will default. We have to get serious about the deficit and we have not yet.

Chairwoman KELLY. Just out of curiosity, how does that compare, how does the U.S. figure with GDP compare to a country like Japan?

Mr. WALKER. Japan has higher debt than we do. I would be happy to provide for the record information on this from the latest report that was issued by the Organization of Economic Cooperation and Development, which were 30 major industrialized nations, including the United States and Japan. I will provide information for the record as to where debt as a percentage of GDP stands.

Chairwoman KELLY. I think we are a little off target here. It is just that it was brought up and it is an interesting way that the figures seem to move around. It is hard to grab hold of them. The last I heard the Japanese debt was 170 percent of their GDP. So I think that it is very difficult to figure out where all these things land. So any information you can give us, we would be very grateful for. Mrs. Wasserman-Schultz.

Mrs. WASSERMAN-SCHULTZ. Thank you, Madam Chairwoman. In the background information that I have looked at, State does not apparently agree with your recommendation to develop and implement an integrated strategic plan. They say that a series of NSC documents and State's Office of the Coordinator for Counter Terrorism's Bureau Performance Plan served that purpose. Could you describe for us how the documents that State describes and their own

internal office differ from what GAO recommended and how what they are suggesting would work falls short of this goal?

Mr. WALKER. That plan does not clearly and unambiguously lay out the relevant roles and responsibilities. That plan does not have key metrics in order to be able to assess performance. Those are two of the major elements that are not addressed in that plan.

Mrs. WASSERMAN-SCHULTZ. Thank you. And in page 9 of your testimony, you mention that senior Treasury officials strongly disagree with State's degree of control over TFWG decisions and that State creates obstacles rather than coordinating efforts. And that is a serious disagreement. How can we more clearly define State's role?

Mr. WALKER. My view is that if they cannot handle it themselves, then the Congress can end up legislating in this area, and you should be prepared to do that if the Executive Branch cannot deal with it within a reasonable period of time. I am hopeful that they can and I am hopeful that they will. But the Legislative Branch has quite a bit of power under our Constitution.

Mrs. WASSERMAN-SCHULTZ. And, lastly, I guess I am still all right on my time, I have also reviewed the dispute over the use of contractors between the agencies. Treasury is working to resolve its differences with State on the use and role of contractors. The reason for the dispute is really understandable. I can understand that using contractors rather than direct employees would compromise confidentiality and that it seems to warrant clarity. Can you talk about what procedures we should be establishing for needs assessment and other disagreements between the agencies that you outlined and how we can resolve that because it seems like a really necessary element to fix?

Mr. WALKER. I will start, and I will ask Mr. Yager to provide some more details. First, it is understandable that reasonable people might disagree on whether and to what extent you should use contractors for certain types of functions and activities. I am a substance over form individual. Merely because somebody is a contractor does not, per se, mean that it is a problem. You have to look at who is that contractor? What is the nature of the contractor? Is it a person who has the requisite security clearances, who is a former employee of the Treasury Department or the State Department or the Defense Department or one of the intelligence agencies? That would be substantively different obviously than if it is another type of entity or individual who might not meet those criteria. So I think it is something that needs clarity. It is something that we ought to try to provide a reasonable degree of consistency on, but I would respectfully suggest we need to have certain principles or safeguards that we would operate rather than saying yes or no you should or should not ever use contractors. Loren?

Mr. YAGER. Let me just make one brief addition. I think it also suggests why performance measures are so important because it is difficult to make these systematic decisions on the basis of anecdotal information about either successes or failures in the efforts to combat terrorist financing or provide that training. So we think with a solid set of performance indicators, it will be much easier for the Agency to work together and say we have had success using these types of contractors or others and here is our proof of that

success. We believe this is a type of effort, for example, that might go forward. Without those performance measures, it becomes quite difficult to make those decisions on a systematic basis.

Mrs. WASSERMAN-SCHULTZ. Madam Chairwoman, as someone who comes from a State that has widespread use of performance measures with regular legislative oversight, I can completely agree that is an effective means of ensuring that we have a policy that is implemented effectively, and it also provides clarity, so I would completely agree with you.

Thank you. I yield back the balance of my time.

Chairwoman KELLY. Thank you very much. Senator Grassley had intended to come and testify before the committee today. His schedule, unfortunately, was not able to permit him to be here but with unanimous consent, I will insert Senator Grassley's full statement in the record.

And, Mr. Walker, we thank you very much for your testimony today. And with that, this panel is excused.

Mr. WALKER. Thank you.

Chairwoman KELLY. While that panel is leaving, I would appreciate it if the second panel would take their seats.

We welcome the second panel. And without objection, your full statements will be made part of the record. Our first speaker is William Larry McDonald, from the U.S. Treasury. He is the Deputy Assistant Secretary for Technical Assistance Policy. He oversees the program that provides assistance to approximately 70 countries in Central and Eastern Europe, the former Soviet Union, the Middle East, Africa, Asia, and Latin America. We appreciate your being here today, Larry, and thank you very much for being here.

Our second panelist is Mr. Gerald—I am going to pronounce it wrong—Feierstein, I should guess that "ei," Feierstein. Mr. Feierstein here with the State Department in Washington. He has previously served as the Desk Officer for Nepal, Pakistan, and Egypt, as Deputy Director in the Office of Arabian Peninsula Affairs, and Director of the Office of Pakistan and Afghanistan and Bangladesh Affairs, and the Office of Regional Affairs in the Near East Bureau.

Our third panelist is Mr. Barry Sabin from the Justice Department. He presently serves as the acting Deputy Assistant Attorney in the Criminal Division of the Justice Department in Washington, D.C. Mr. Sabin started in that position in January of 2006 and is responsible for overseeing the Counter Terrorism Section, Fraud Section, Criminal Appellate Section, and Capital Crimes Unit. We thank you very much, Mr. Sabin. We thank all three of you for being here, and we look forward to your testimony. And we will begin with you, Mr. McDonald.

STATEMENT OF WILLIAM LARRY MCDONALD, DEPUTY ASSISTANT SECRETARY, TECHNICAL ASSISTANCE POLICY, U.S. DEPARTMENT OF THE TREASURY

Mr. MCDONALD. Chairwoman Kelly, Ranking Member Gutierrez, and members of the committee, I very much appreciate this opportunity to speak to you today about the GAO's report on U.S. efforts to deliver training and technical assistance abroad to combat terrorist financing. I would also like to express my appreciation for

the leadership, commitment, and support that you bring to combating terrorist financing.

In my written testimony for the record, I have given a detailed description of the Treasury Department's technical assistance program and Treasury's role in the interagency process. I have also provided a number of examples of Treasury's technical assistance that illustrate our track record in this area over the last several years. In my oral remarks, I will focus on the issues that you asked me to address in your invitation letter.

First, I want to confirm at the outset that the Treasury Department does accept the State Department's lead role in this area. If I accomplish nothing else today, I hope to put this one to bed. The State Department indeed has a mandate to lead the interagency effort, to prioritize, and de-conflict capacity building programs in the area of terrorist financing. Given its broad foreign policy mandate, the State Department is well-positioned institutionally to play this role.

And, if I may add, the interagency effort is well served by the leadership and the right kind of leadership of my colleague, Mr. Feierstein. He brings experience, professionalism, and skill in weighing the many factors that have to be considered in reaching difficult judgments on issues that do not lend themselves to a simple or straightforward calculation. He is a facilitator, and here I am referring back to the remarks by the Comptroller of the GAO; he is a facilitator. He is a consensus builder. He is not a control freak. And the same goes for my other colleague on the panel, Mr. Sabin. Since assuming my position as Deputy Assistant Secretary in December of 2005, I have gotten to know Mr. Feierstein, Mr. Sabin, and others involved in the interagency process, and I could not be more pleased about our collaboration.

Regarding the procedures and practices of the interagency group, I would like to confirm that Treasury does accept them. These procedures are essential to help ensure an orderly, coordinated process in a complex area involving many participants. At the time the GAO report was prepared, there were Treasury officials who honestly felt that the procedures and practices would benefit from greater flexibility in their application—shock absorbers, if you will—to help us get over the occasional bump in the road and improve our effectiveness. I am pleased to tell you that a number of structural and operational changes have indeed been made over the past several months that have enhanced the effectiveness of the interagency group and the interagency process more broadly.

First, the interagency group is now chaired at a more senior level. I have already noted Mr. Feierstein's role in that regard. Second, the procedures and practices of the interagency group have been fine-tuned in a way that allows for greater flexibility. In particular, I welcome the increased openness to conducting so-called "table top" assessments of a country's assistance needs here in Washington, rather than conducting a full-blown in-country assessment. In certain cases, where sufficient information is available, this option provides flexibility that can expedite our work and marshall scarce resources. Third, the reconstitution of the Training and Assistance Sub-Group is a welcome enhancement of the interagency process. It brings together agencies providing technical as-

sistance in all areas related to combating terrorism and serves as a useful forum for addressing any differences that cannot be resolved at the staff level.

Madam Chairwoman, the GAO report gave considerable attention to the third party contractor issue, and I know that this is a matter that interests the committee, so let me say a bit about that. First, I would like to clarify that Treasury's advisors work under personal services contracts, not third party contracts, and are individually selected by Treasury management. They become for a time Treasury Department hires and are fully integrated members of Treasury's technical assistance family. I believe that Treasury, Justice, State, and other Agencies agree that such contractors can play an important complementary role in the area we are discussing today. Contractors with the requisite experience and expertise can complement the limited number of U.S. Government officials available to address the enormous need for technical assistance, especially when long-term assistance rather than short-term assistance is what is needed. The ability to deploy expert long-term personal services contractors is one of the special features and strengths of Treasury's program. I do not mean to suggest by this that such contractors are a substitute for U.S. Government officials in all matters. Contractors cannot and do not provide assistance in certain areas that are appropriately reserved to U.S. Government officials.

If I may, I would like to make one other observation about the issue of contractors. The term "contractors" conjures a number of different images, I think our colleague from the GAO alluded to this. When I took this job, I learned that personal services contractors make up the backbone of Treasury's program. And I made it my business to meet with them, learn about their backgrounds, and get to know them. What I have learned about them has been more than reassuring, it has been inspiring. Treasury's financial enforcement advisors consist primarily of retired assistant United States attorneys and agents from the FBI, former agents from the Criminal Investigation Division of the Internal Revenue Service, former regulators and examiners from the Federal Reserve, the FDIC and the OCC, former agents of the U.S. Customs Service, the Immigration and Naturalization Service, the Financial Crimes Enforcement Network, and the Drug Enforcement Administration.

In the first days following the tragedy of 9/11, these former officials came forth in droves asking simply, "How can I help?" There are certain things they should not, and will not do, but they can and do make a valuable and, I would argue, indispensable, contribution. They are a source of intellectual capital and greatly and flexibly strengthen our human resource base. I assure you there is no finer, more qualified or dedicated group of men and women. And their dedication is producing results. The work of these advisors has resulted in the removal of eight countries from FATF's blacklist of non-cooperative countries and territories and the creation of Financial Intelligence Units in a number of other countries.

Finally, Madam Chairwoman, my invitation letter asks that I note any recommendations that Treasury may have based on the GAO report. My recommendation, and this is a recommendation I make to myself as much as anyone else, is to treat the GAO report

as a catalyst for self-scrutiny, to consider what has worked well over the past several years and what needs addressing, and to make any adjustments in light of that.

Madam Chairwoman, that process is well underway, and, I think my co-panelists would agree, will continue. That concludes my statement, and I will be happy to take any questions at the appropriate time.

[The prepared statement of Mr. McDonald can be found on page 60 of the appendix.]

Chairwoman KELLY. Thank you, Mr. McDonald.

Mr. Feierstein.

STATEMENT OF GERALD M. FEIERSTEIN, DEPUTY COORDINATOR FOR PROGRAMS AND PLANS, OFFICE OF THE COORDINATOR FOR COUNTER TERRORISM, U.S. DEPARTMENT OF STATE

Mr. FEIERSTEIN. Chairwoman Kelly, Congressman Gutierrez, and members of the committee, thank you for the opportunity to speak to you today about interagency cooperation on combating counter-terrorism financing and providing international training and assistance since the terrorist attack of September 11, 2001.

That tragedy changed the way the U.S. Government approached terrorist financing. We have worked to create and implement programs that enhance the capacity of key partner nations to detect, disrupt, and dismantle global terrorist financing networks. Our objective is to deny financial safe havens to terrorist organizations and their supporters. Together, we are building sustainable, dynamic, anti-money laundering, and counter-terrorist financing regimes, and implementing effective programs in the legal, financial, law enforcement, and judicial fields. Improving the capability of our partner nations to combat terrorist financing significantly enhances our own ability to detect and isolate terrorist financiers and follow the money, right to where it links global terrorists to their support networks.

In pursuit of this goal, the interagency created the Terror Finance Working Group in October of 2001 to leverage existing anti-money laundering expertise across the U.S. Government and to develop specific CT finance capacity building programs. Co-chaired by the State Department's Office of the Coordinator for Counter Terrorism and the Bureau for International Narcotics and Law Enforcement Affairs, this interagency forum brings together the Departments of Treasury, Justice, and Homeland Security, independent financial regulatory agencies, and the law enforcement and intelligence communities.

This interagency working group has achieved a notable record for its efforts. We have provided CT finance and anti-money laundering assistance for over 1,850 foreign counterparts in over 18 priority countries. A number of countries have either adopted new legislation to shut down terrorist financing or are in the process of doing so. Our assistance has led to the arrest and conviction of terrorists in Southeast Asia and the Middle East, as well as the conviction and subsequent designation of a terrorist fundraiser in the Middle East. Our training has enabled other Middle East partner nations' law enforcement agencies to identify and take action

against several Al Qaeda cell members. Additional specific examples of the record are provided in my written testimony submitted for the record.

Nevertheless, all interagency mechanisms are subject to constant review and revision and may be altered at any time. We have taken measures following the GAO's report to strengthen interagency coordination and enhance the development and delivery of CT finance foreign assistance programs. Specifically, we have elevated the leadership of the Working Group to the Deputy Assistant Secretary level. Another change was the resuscitation of the Training and Assistance Sub-Group, TASG, led by the coordinator for Counter Terrorism at the State Department. The Terrorist Finance Working Group now reports to this body. Should any issue arise that cannot be worked out by the members of the Working Group, something that has not occurred since I assumed duties as co-chair in January, it is referred to the TASG for resolution.

Also, in response to the GAO report, we have dedicated resources at the Department of Justice Office of Overseas Prosecutorial Development Assistance and Training, OPDAT, to measure the effectiveness of our counter-terrorism financing and anti-money laundering programs. OPDAT measures the basic elements of an effective counter-terrorism financing and anti-money laundering regime for each country that has received U.S. foreign assistance in this area.

In addition, we analyze what type of practical impact our training programs have had on the ground. With this system, we hope to determine how and where our capacity building programs have had the most impact and how we can improve and apply them in other countries.

Members of the Working Group agree on each other's respective roles. We agree that the State Department chairs the Working Group and coordinates training and technical assistance abroad for priority countries. Given its expertise in the area, we support the Justice Department's lead role in prosecutorial and judicial assistance matters, including drafting anti-money laundering and CT financing legislation. We support the Treasury Department's lead role in providing financial regulatory assistance and Financial Intelligence Unit development and implementation of targeted financial sanctions. We support the Department of Homeland Security's lead role in providing training to combat illicit cash couriers.

In closing, we have made substantial progress since September 11, 2001. We have developed a broad and strong international coalition against terrorist financing. We have supported development of laws, regulations, and regulatory institutions, as well as trained intelligence and law enforcement officials around the world to combat terrorist financing and money laundering. We are opening, cultivating, and strengthening dialogues and relationships with foreign counterparts in vulnerable regions as a means of strengthening their counter-terrorism financing regimes. As a result, we have made it harder for terrorists and their supporters to use both formal and informal financial systems.

Chairwoman Kelly, Congressman Gutierrez, and members of the committee, our work is far from done. As we continue to fight on this and other fronts in the war on terror, we face a resilient,

adaptable, and ruthless foe, and must constantly anticipate and help countries all over the world prepare for the next move before it happens. Terrorists and terrorist tactics are evolving and persisting, and so must our efforts. Key to our continued success in tackling terrorist financing is strong, effective U.S. interagency coordination.

Chairwoman KELLY. Mr. Feierstein?

Mr. FEIERSTEIN. Yes, ma'am.

Chairwoman KELLY. Your red light has been on for some time and since we are going to be called for a vote shortly, I would ask you to sum up, please?

Mr. FEIERSTEIN. Ma'am, I only had one more sentence. Therefore, we must continue to pool our expertise and resources in order to continue to realize real success in the future.

I look forward to taking your questions. Thank you.

[The prepared statement of Mr. Feierstein can be found on page 51 of the appendix.]

Chairwoman KELLY. Thank you.

Mr. Sabin?

STATEMENT OF BARRY M. SABIN, DEPUTY ASSISTANT ATTORNEY GENERAL, U.S. DEPARTMENT OF JUSTICE

Mr. SABIN. Chairwoman Kelly, distinguished members of the subcommittee, I appreciate the opportunity to discuss the issue of the Government Accountability Office's report on terrorist financing and the Department of Justice's successful involvement in this cooperative effort to provide counter-terrorism financing training and technical assistance abroad.

The Department of Justice plays a critical role in the delivery of training and technical assistance to our international partners. Justice plays a central role in this arena, in concert with the Departments of State, Treasury, and Homeland Security, even though the Justice Department does not receive direct appropriations from Congress to provide training and technical assistance to combat terrorist financing abroad. Consequently, we respectfully disagree with the GAO's recommendation that the Departments of State and Treasury enter into a formal Memorandum of Understanding, without participation of the Department of Justice, to develop a training and technical assistance delivery plan.

Justice and its interagency partners do not believe that such a Memorandum of Understanding is necessary or appropriate. More fundamentally, such a recommendation highlights our basic concern with the GAO report, that it overlooks the valuable contribution of the Justice Department and others, including DHS in providing legal training and assistance to combat terrorist financing and money laundering around the world. We also provide essential input to the fundamental interagency decisionmaking process of prioritizing and strategizing the delivery of technical assistance and training. Such input helps ensure that the training and technical assistance plan is consistent with other Department and Administration counter-terrorism initiatives. In addition, excluding the Department of Justice would deprive DOJ of one of the critical byproducts of technical assistance—the building of long-term oper-

ational relationships which are critical to facilitating international cooperation.

It is axiomatic that in providing terrorist financing and technical assistance to our most vulnerable partners in the war on terror, the U.S. Government should be represented by its most highly skilled and knowledgeable experts. In 2002, the Administration determined that the Department of Justice should be the Agency primarily responsible for training and technical assistance concerning our core areas: legislative drafting and training of prosecutors and judges in priority countries. DOJ assistance helps governments that are vulnerable to terrorist threats to draft legislation which criminalizes money laundering and financial and other material support to terrorists. DOJ also provides technical assistance and training to help such governments implement and enforce these laws.

DOJ remains firmly committed to interagency efforts to ensure that priority and vulnerable countries receive substantive training and technical assistance from the most qualified experts that the U.S. Government has to offer.

Preventing terrorist attacks and protecting our Nation is the top priority at the Justice Department. Aggressive investigation and prosecution of terrorist threats and activity, including terrorist financing and all other manner of providing material support to terrorists, is a principal means to achieve this end.

As a result of our ongoing involvement in this rapidly changing area and our commitment to this objective as a first priority, Justice Department lawyers and investigative agents, both in Washington and in the field, have extensive experience in this area. The Department of Justice delivers approximately half of the anti-money laundering terrorist financing assistance to priority countries, acting either individually or in combination with our partners.

The Department has participated in the interagency process since its inception. The interagency process provides a forum for candid discussions and strategic planning for delivering appropriate assistance. Consensus is reached in this forum to ensure our international partners receive the guidance necessary for them to build strong counter terrorist financing regimes. Through this process, the U.S. Government ensures that we take a holistic approach, avoid duplication, and prevent redundant delivery of previously provided assistance.

In my written statement, I provide specific examples of countries which illustrate the assistance we have rendered in this field and the long-term gains it has yielded for the recipient countries and the international community. The Department is proud of its role in equipping other countries with the legal tools necessary to combat terrorist financing and money laundering, but we realize that there remains work to be done.

Thank you for providing me the opportunity to discuss these important issues with you today. The Department of Justice looks forward to our continued role in the interagency process to deliver and develop effective anti-money laundering and counter terrorism financing training and technical assistance and to benefit from the goodwill, personal relationships, understanding of our international

partners, and tangible operational benefits that result from our crucial role in providing that assistance. We are committed to working with our peer agencies to develop a comprehensive and integrated training and technical assistance program abroad. We each have our areas of expertise, and we believe that a unified, yet delineated approach, to the global problem of terrorist financing will result in success that is effective and enduring.

Thank you.

[The prepared statement of Mr. Sabin can be found on page 67 of the appendix.]

Chairwoman KELLY. Thank you very much, Mr. Sabin. Mr. McDonald, you said that you are very pleased with the cooperation that you have with State. The GAO sat here and said it is not working. As a matter of fact, in the letter that was sent to Chairman Oxley about this, and in the comments from the GAO as of your response involving State, and I quote from page 72 of their report, "As Treasury states, they believe that State's role is limited to coordination for priority countries and does not accept State's position that it leads all U.S. training and technical assistance efforts to vulnerable countries, not just priority countries." Now, this is exactly what I believe we heard this morning. Who is the lead?

Mr. MCDONALD. State Department is the lead.

Chairwoman KELLY. Well, then if the State Department is the lead, sir, then you are going to have to accept what you apparently have rejected here in this statement.

Mr. MCDONALD. And I do. The information in the statement that you are reading from reflected the perspectives of Treasury officials who were reacting to a situation that they observed or they perceived at that time. And, as I think all of us have tried to explain today, a lot of water has flowed under the bridge since then and a number of clarifications and strengthening of the process have taken place. And I do believe that the Treasury Department and the State Department are completely on the same page with respect to the role of the lead agency, and it is the State Department for those countries.

Chairwoman KELLY. Then why is the NSC reviewing it?

Mr. MCDONALD. Why is the NSC reviewing what?

Chairwoman KELLY. Reviewing the cooperative effort that is talked about here in this report, and certainly Chairman Oxley had some questions here. It says that, "NSC, the Departments of State, Homeland Security, Justice, and Treasury are reviewing the work of the Terrorist Finance Working Group and its operating procedures in light of the past 4 years experience with a view to making any appropriate updates." Why are they reviewing it if you have already accepted it?

Mr. MCDONALD. What was referred to in that letter, what is being reviewed is not only—not particularly the question of the lead role. What is being reviewed is the overall set of procedures and practices, and the lead role is a subset of that question. So we are taking a look at the whole operation in light of the GAO's report to assess what we need to do better, what we need to adjust.

Chairwoman KELLY. This GAO report came out in October. Everybody has been looking at it and so forth and yet there is still no Memorandum of Understanding between the agencies. My ques-

tion is why is that so? Why is there no plan to develop metrics for success to make this happen? It is frustrating to keep asking for people to review and review and review. There is more review here that is talked about in this letter that we just discussed. When does the review stop and when do we get a Memorandum of Understanding? Are you working on this? I would ask both of you. Well, actually all three of you. You too, Mr. Sabin.

Mr. FEIERSTEIN. Madam Chairwoman—

Chairwoman KELLY. Let Mr. McDonald answer.

Mr. MCDONALD. I was just going to start by saying that there is not a Memorandum of Agreement. My understanding of the GAO's thinking in making that recommendation was that it was a vehicle, a mechanism for encouraging and ensuring collaboration and the sorting out of any issues that there might be between Treasury, State, and other agencies about procedures, practices, objectives, and how to measure progress toward them. We are doing that. We have not waited for a Memorandum of Understanding. From the first day that I took my position in December, and I am sure that from the first day that Mr. Feierstein took his, we have been leaning into that entire set of issues. So I believe, this is my view and I will ask for Mr. Feierstein to express his, that the Memorandum of Understanding is not required for the things that we are already doing.

Mr. FEIERSTEIN. Madam Chairwoman, that was also certainly our view and that was the view that we expressed to the GAO, both when they initially did their study and also in our response to their recommendations, that in fact the Terror Finance Working Group is much broader than just State and Treasury, that we do believe that we have an agreement in place about roles and responsibilities. Those are well understood by all of the participants in the Working Group. And, as Larry has suggested, we do believe that process is working effectively and efficiently now without need of drafting an additional agreement. So we think that we have the structure in place, we have the understandings in place, and we believe that we are moving forward.

Chairwoman KELLY. As of when did you feel that that structure was in place?

Mr. FEIERSTEIN. Ma'am, I started in this position in January and that was at a point in which the structures were evolving. The Training and Assistance Subgroup had just resumed its activities. The decision has been made that we would raise the level of the Chair of the Working Group to help facilitate and move forward with interagency coordination. And so I would say that certainly since the beginning of this year we have had in place the structures that we believe are appropriate and effective.

Chairwoman KELLY. That is really not exactly the answer to my question, sir. I asked you when you felt this was finished, when you felt this comfort level that you spoke of?

Mr. FEIERSTEIN. Ma'am, as I said, I have been on—

Chairwoman KELLY. I am not asking about the history, I want to know within the last month, within the last week, within the last 2 weeks?

Mr. FEIERSTEIN. As I said, since the beginning of this year, since I started in this position.

Chairwoman KELLY. From January when you started?

Mr. FEIERSTEIN. Yes.

Chairwoman KELLY. Mr. Sabin?

Mr. SABIN. I agree with the Comptroller's remarks that we need to have an interagency process that is effective and accountable. The vehicle to achieve the delineation of the roles and responsibilities, I would suggest is not in a formulaic Memorandum of Understanding but in the structure of the interagency process in the Working Group, with clearly defined roles and responsibilities where people are accountable and can articulate our strategic planning in that regard. So to exclude Justice, as is recommended in the GAO report, I would respectfully suggest, is not the vehicle in which to achieve those ends, nor to exclude Homeland Security. There is a structure. There is an interagency process in the Terrorist Finance Working Group. People understand their roles and responsibilities, and we are going forward to ensure that we achieve the mission and that we are accountable for achieving that mission. But that vehicle to achieve that is not through a formal Memorandum of Understanding.

Chairwoman KELLY. So if I understand what you are saying correctly, none of you really feel that you agree with the GAO report because you do not feel you need structure to make sure that the agencies are discussing and working with each other, you think you can do that on your own?

Mr. FEIERSTEIN. Ma'am, we believe that the structure is there. The structure is there and the directions from the deputies and from the Counter Terrorism Support Group, which is chaired by the NSC, the guidance that they have provided to us and of course the guidance that we receive from the Training Assistance Subgroup. So we think that we have received the appropriate structure, the structure is in place, and the structure we believe is working effectively.

Chairwoman KELLY. Mr. McDonald?

Mr. MCDONALD. I was thinking about your question about the timing when I had this feeling of reassurance, and I remember two very precise moments when I felt that. It was in late January, I think, when I attended the first meeting of the TASG. I accompanied Assistant Secretary O'Brien from TFI. And both during that meeting, which was chaired by Ambassador Crumpton of the State Department, I felt that there was a real sort of center of gravity of leadership in that meeting. And, as I was walking back from that meeting with Treasury Assistant Secretary O'Brien, we both remarked that we felt like an important change had been affected.

The other time that it struck me was the first meeting of the TFWG that I attended under Mr. Feierstein. I think it was in early February, so it happened in a couple of steps. And I left that meeting feeling like there was a very different atmosphere and a different way of doing business. So those are the moments when it occurred to me.

Chairwoman KELLY. Well, then that leads me to the next question that I have. I am going to go to the State Department first because you came here, the State Department came and repeatedly said that the Saudi FIU was operational. When I went a year ago to Saudi Arabia, it was not operational. Treasury came here and

said it is not operational. State came here and said it is operational. Was this matter ever discussed with what you call the TFWG?

Mr. FEIERSTEIN. Ma'am, I would have to take that question and go back, that long pre-dates my arrival on the scene so I cannot respond to your question, but I will be happy to ask and see if we can get an answer for you.

Chairwoman KELLY. Mr. Feierstein, I wish you would, please. I still feel a great deal of skepticism about how this is working, about how it is integrated, and how the chains of command are braided together to give us one unified approach and understanding of what is happening with regard to terrorist financing.

We have been called for a vote. We have two votes, so I am not finished with my line of questioning. I have a couple more questions. I am going to, however, recess the committee temporarily. I would imagine it would take us—one is a 15 minute and one is a 5 minute vote, I imagine within that timeframe, it will be probably 25 to 30 minutes before we arrive back here to be able to continue. Mr. Scott, we will keep going with questions when we come back. I thank you very much, and I apologize for the interruption but we will be back presently.

[Recess]

Chairwoman KELLY. Thank you very much for your indulgence in our going off to a vote. I would like to resume with the line of questioning that I was starting with. I want to go back to the question about the issue of the fact that we had different statements from different agencies about the state of the Saudi FIU. And it involved setting up an FIU, joining the Egmont Group is to be encouraged in all of the countries that we deal with. It is one of the very real ways that countries can all cooperate in a very transparent and supportive way to try to stop the terrorist movement of money around the world. Not knowing whether or not an FIU is actually in place is a serious problem, and I am concerned about what the process was that caused the disparity in the responses to the questions that I asked about the FIU. I really did not get an answer that I was comfortable with, and I would like to go back to ask that question about the TFWG. If there was discussion at the TFWG prior to the testimony that was given here at the committee, whether anybody here knows, maybe somebody sitting behind you might know, whether there was discussion there about the Saudi FIU? And any one of you can answer that or I will ask you each individually.

Mr. FEIERSTEIN. Madam Chairwoman, during the brief recess, we did discuss this, and I can offer you only that to the best of the recollection of the people who are sitting behind me, some of whom were involved at that time, this was not an issue that came before the FIU—or before the TFWG. But having said that, I must say that I am still not comfortable, and I would much prefer to have an opportunity to take that question back and research it more thoroughly and give you a considered response.

Chairwoman KELLY. Okay, thank you. I am more comfortable with that answer, thank you. I want to go then to my other question that I asked just before I left and that was the question about what plan is being developed to set in place some metrics for suc-

cess in this interagency discussion? When Secretary Snow was here at one point, I asked him where the buck stopped on this, and he said, "It stops on my desk." And he then came back and told us that they had set up within Treasury an interagency desk that was working fairly well. I do not know at this point whether it is still working well within Treasury or whether it has been stood down? And, Mr. McDonald, maybe you can answer that question for me.

Mr. MCDONALD. I know that as Under Secretary Levey testified earlier this week before a Senate committee, that he has been in very close touch with the Secretary and other senior officials within Treasury about the entire range of issues that have to do with terrorist financing, of which technical assistance is one component, and that developing metrics for measuring success and combating terrorist financing is a very big item on his agenda. I do not know, frankly, the status of efforts to develop metrics for success for combating terrorist financing broadly. I can tell you—

Chairwoman KELLY. Can you find that out for us and come back with an answer?

Mr. MCDONALD. Yes.

Chairwoman KELLY. Can you answer the second question that I asked—is that desk that had several agencies from Justice and other Departments still in existence at Treasury and is it still functioning?

Mr. MCDONALD. I don't know about that, and I will have to find that out too.

Chairwoman KELLY. Can you come back with an answer for that?

Mr. MCDONALD. Yes.

Chairwoman KELLY. Thank you.

Mr. SABIN. Madam Chairwoman?

Chairwoman KELLY. Yes.

Mr. SABIN. I can supplement on the metrics point.

Chairwoman KELLY. Yes.

Mr. SABIN. The Criminal Division of the Justice Department has a metrics system that examines the five basic areas of an effective counter terrorism financing and asset forfeiture, money laundering mechanism for each of the countries that receive United States assistance that goes to, as articulated in the GAO report, the five key areas of legal development and reform, financial regulatory aspects, capacity for financial investigations, law enforcement and judicial and prosecutorial capabilities, so in those five areas. As a baseline, you have reports, initial reports that are conducted called the Financial Systems Analysis Team Reports, and that is also referenced in the GAO report. That baseline information is compiled and then used against those five areas to ascertain, both short term and long term, whether there is appropriate reporting and to analyze what kind of practical impact occurs, so how U.S. foreign assistance has been allocated, to which countries, for which particular courses for training, for how many different foreign counterparts. And then drilling down in terms of the specifics, what legislative drafting has been undertaken in those particular areas, what reports have been issued relating to bulk cash smuggling, and how that, in turn, has led to specific actions by an FIU. Those kinds of specifics compiled, analyzed, tracked, I am not saying it is perfect

or that it is all that we would want to be and that it is to the extent of something that we are comfortable with, but we are committed to making sure that, as we indicated before, that it is an integrated approach that is accountable and that we can, when called upon to do so, be accountable and transparent in relaying that information.

Chairwoman KELLY. An integrated intra- and interagency?

Mr. SABIN. Correct.

Chairwoman KELLY. Good, thank you very much. For that, I thank you because that is much more information than I was getting before.

I now want to go on to how you are working with the other nations, our friends and our allies, with regard to the terrorist money movement. Are you working at doing some parliamentary assistance with the other nations of the world with regard to trying to get them to pass laws and do what you can to get them to use—everybody has to use the same set of metrics or it is not integrated enough to be worthwhile—are you doing that? And I am going to each Agency to answer that. Let's start with you, Mr. McDonald.

Mr. MCDONALD. Sure, yes, by all means. Although Treasury technical assistance providers tend to be based in a finance ministry or a central bank or an institution like that, they spend a lot of time and work a lot with parliamentarians. Intermittent advisors provide executive seminars to parliament in many countries around the world to explain the rationale and the benefits of passing anti-money laundering legislation and legislation related to creating Financial Intelligence Units. Resident advisors who are on the ground week after week in those countries do not spend all their time in the central bank and the finance ministry but spend a good deal of their time with officials from parliament, reinforcing those same points.

I would add, although this was not specifically in your question, a public information campaign is an important part of informing parliament and helping to encourage them about the importance of this. I saw that when I was in Zambia just 2 weeks ago. That is a country where anti-money laundering legislation is important—it is before the parliament, and has not been passed yet, I met with members of the press and among the things that I talked about was the importance of passing such legislation. I confess that I did not meet with the parliamentarians, but I will take from our discussion today the note that I will make sure that I do on my next trip.

Chairwoman KELLY. I think that is a good idea. I wonder also if you have anything in place where you can actually measure the success of the kind of thing that I understand that you have been doing, which is sending people out to talk to these parliaments and the financial officers in the various countries. Is there any kind of, I don't want to say report card, but is there some kind of a way, do you have anything in place to measure step by step because some of these things must take into account cultural considerations as well as the financing situation. So if you have that in place, what is it? And I am not going to ask you to detail it, but I just want to know if it is there and if it works?

Mr. MCDONALD. The best thing that I would reference in answer to your question is the work plan that is developed for each advisor, for each technical assistance provider, that lays out at the beginning, and in consultation with counterparts from that country, and taking into account the cultural issues that you mentioned, a detailed road map of what is to be accomplished. And if within that road map there is work on legislation and dealing with parliaments, that would be highlighted. And there are monthly reports, monthly reports on progress towards the meeting of those objectives. Those monthly reports are made available to other agencies within the U.S. Government, through the TFWG, and are available to the Congress.

Chairwoman KELLY. Good. Thank you. Okay.

Mr. FEIERSTEIN. Madam Chairwoman, if I could respond also to the two questions. And in the first one, certainly to mirror what Larry said in terms of the emphasis that we place on working with governments overseas, with host governments, to promote the passage of anti-money laundering and counter terrorism financing legislation. This is a very high priority with our embassies overseas that engages the chiefs of mission, it engages other officers in the embassy on a regular basis to use their positions to reach out not only to the appropriate government agencies in those countries but also to work with parliamentarians. This is certainly part of the performance responsibilities and goals and objectives that any embassy would have. And also to use our own bilateral dialogues at senior levels to continue to pursue that.

I can mention in particular that yesterday, for example, we had a bilateral discussion with our counterparts from the Government of Pakistan where passing a money laundering deal is a very high priority for the U.S. Government. One of Mr. Sabin's colleagues was there from the Department of Justice, and we spent a good bit of the afternoon actually talking about anti-money laundering legislation and how we might move forward on getting that bill through the Pakistani parliament.

In terms of the second question you asked, whether there is a report card or not, I would draw your attention to the INCSTR report, the International Narcotics Control Strategy Report. The latest edition came up to the Congress in March of 2006 and it does rate the performance of governments in 16 different categories, including criminalized drug money laundering, criminalized beyond drugs, record large transactions, maintains records over time, reports suspicious transactions, a Financial Intelligent Unit, a system for identifying and forfeiting assets, arrangements for asset sharing, cooperates with international law enforcement, international transportation of currency, mutual legal assistance, nonbank financial institutions, disclosure of protection of safe harbor, state's party to the 1988 UN Convention, criminalized financing of terrorism, and International Terrorism Financing Convention. So each country is rated in each of those categories.

Chairwoman KELLY. Mr. Feierstein, I thank you very much for that information. INCSTR has always been pretty good, my question was actually addressed to what you are doing within your own Agency.

Mr. FEIERSTEIN. In terms of?

Chairwoman KELLY. In terms of how do you measure your own success? How do you, and obviously Treasury has a work plan that they set out for every person who is going out and they set goals for achievement.

Mr. FEIERSTEIN. Right.

Chairwoman KELLY. Do you do that?

Mr. FEIERSTEIN. Yes, in any agreement that we sign. And, of course, the State Department itself is not a provider of technical assistance or training. We do turn to our counterpart agencies, to our partners, like Department of Justice or the others, to actually carry through with the training. But in any agreement that we negotiate in terms of training or technical assistance that is going to be provided, that does include a performance indicator, and what it is that we expect to see at the end of the training or technical assistance and what are the parameters for measuring success.

Chairwoman KELLY. In the field?

Mr. FEIERSTEIN. In the field.

Chairwoman KELLY. Mr. Sabin?

Mr. SABIN. It goes back to your point about the integration of the different roles and responsibilities. So, as Mr. McDonald pointed out, the building of goodwill, the ability to execute in the particular country for that legislation was preceded by Justice Department lawyers involved in the actual drafting of the particular legislation. So we understand that we will provide those skills and experiences to build the trust, work through the particular issues involved in that country and that region regarding the appropriate legislation. And then if called upon to do so by our partners in the interagency process, assist in the execution under their direction as appropriate.

Chairwoman KELLY. Thank you. I have a question for you, Mr. Sabin. I would like to know what contributions the OCDETF has its fusion center play in identifying the vulnerabilities to money laundering and enabling the Federal Government to bring prosecutions, can you identify that for us?

Mr. SABIN. If I understand your question, you are referring to the Organized Crime Drug Enforcement Task Forces.

Chairwoman KELLY. Yes.

Mr. SABIN. That has the combination of narcotics-generated information dealt with in terms of a task force approach to determine and prioritize significant targets, both domestically and internationally.

Chairwoman KELLY. Well, we know there are a few, there is a mix, the bad guys and the terrorists sometimes talk to each other and work with each other.

Mr. SABIN. Absolutely.

Chairwoman KELLY. So that is the basis for my question.

Mr. SABIN. Absolutely, and we have seen that in the post 9/11 world, the ability to not only act as independent cells but in the decentralized aspects and the desire to fund in this evolving nature of al Qaeda or other foreign terrorists organizations, how they piggyback upon traditional criminal enterprises, and how they use infant formula or cigarette smuggling or narcotics trafficking and those kinds of endeavors, both in the United States and with our partners abroad. I had the chance to appear before the Organiza-

tion of American States with the lead investigating magistrate from Spain, Magistrate Garzon, to talk upon that precise issue. It is a very significant issue, not only within this hemisphere, but around the world. And how that is fueled by the Organized Crime Drug Enforcement Task Force is to ensure those particular metrics, who is the defendant, what are the links, how are the associational activities occurring, how can you in order to have a comprehensive disruption strategy not only go after a particular individual for putting that person behind bars but to go for the entire flow of the money chain.

Chairwoman KELLY. Thank you. Mr. Scott.

Mr. SCOTT. Thank you, Madam Chairwoman. Let me start off with a series of questions dealing with really the infrastructure and the need for you all to have some kind of infrastructure working together. My first point is, I want to start with both the State Department and the Treasury Department, Mr. McDonald and Mr. Feierstein, given the GAO's conclusion that the U.S. Government lacks a unified picture of available budget resources that State and Treasury can allocate for training and technical assistance to foreign countries, what steps are Treasury and State taking toward gaining a systematic understanding of the available resources?

Mr. FEIERSTEIN. Sir, that is a very good question. And I would say at the time that the GAO did their report, that was probably an accurate characterization of the state of affairs. Since then, however, I can say that under the auspices of the Technical Assistance Subgroup, in other words, the group that the TFWG reports to, we have been engaged in an interagency effort to build a comprehensive database of all of the training that the U.S. Government has provided and is providing around the world so that when we have completed that process, which is not complete yet, we should be able to respond very clearly and it will be a living document that all of the agencies participating in the interagency process can use in order to develop their own training plans and to identify areas where perhaps more work can be done and needs to be done.

Mr. SCOTT. What is your take on the available resources, would you say we have sufficient available resources once you have this unified picture?

Mr. FEIERSTEIN. Sir, I think that certainly the more resources that we have, the more that we can do. And we are, I think, becoming more efficient and effective in our ability to use the resources. When we first embarked on this effort in late 2001, 2002, I think that there was a period of time where we were just developing training programs, just going out and doing the assessments. As we move along, our ability to move more quickly has improved and our ability to utilize the resources has improved. So I think we anticipate—for the State Department of course, the Treasury Department also has its own source of funding, but for the State Department we use two categories of funding really for counter terrorism financing. We use the NADR accounts, the non-proliferation, anti-terrorism, de-mining and related programs accounts, and then we use the INLEA, the International Narcotics and Law Enforcement Accounts. Between those two, we anticipate that we will obligate about $10 million this year, fiscal year 2006, for programs related

to counter-terrorism financing. We anticipate or we have requested the Congress, again with between those two accounts, for an increase to about $13 million next year. And we do believe that we could use those funds.

Mr. SCOTT. Great. I am trying to get as many questions as I can in my limited time. To Mr. McDonald from Treasury, in your testimony you stated that you accept the State Department's lead in this endeavor. Does this extend to the delivery of technical assistance to countries that are not on the TFWG priority list where we do have efforts in progress?

Mr. MCDONALD. There is a difference—in fact the GAO comptroller referred to different kinds of leadership, and I think that is an appropriate distinction to make here. In the TFWG area, the interagency process that we are talking about here, there is a level of leadership and a kind of leadership that goes beyond the norm. But I would not use the term—I would find a different term for the relationship that we have with respect to countries that are not part of the TFWG process. We coordinate closely with the State Department, both here in Washington and certainly at embassies. I do not think I would the term the "lead" with respect to those countries that are not part of the TFWG process. But I would hasten to add that when I speak of coordination, I do not mean "coordination-lite." I mentioned earlier that I went to Zambia to talk about Treasury activities in Zambia, I would not have been able to go to Zambia if I had not consulted already with the State Department and with the embassy to explain the purposes of my trip, get country clearance. And, indeed, when I arrived in the country, the Ambassador accompanied me to many of my meetings. So even though I would not use the term "lead," and I do not think the Ambassador herself would have used the term the "lead," in terms of my trip there, we were linked up arm-in-arm at every stop during the trip.

Mr. SCOTT. Well, let me ask you this, I know my time is getting short but I have a number of questions here. I am very concerned that you seem to reject the GAO's, their recommendations for a strategic plan. I think you said that you probably would accept that but not to the non-priority countries. An example of why I think that you need a strategic plan and you need a shared plan and you need that Memorandum of Understanding and agreement with each other is because all of your agencies are so interlocking in this pursuit. And nowhere is this better dramatized than during my recent visit to Afghanistan and Pakistan, particularly, and also Bulgaria. And the reason I mention that if you know geographically what I am talking about, that is an extraordinary entry point, border point, for the process and the transportation of the number one product from that region, which is the poppy, which is the heroin, which is the morphine, which is the drug traffic. In my conversations there with each official, and knowing of our interest in this issue on terrorist financing, I raised questions and issues with these and one of which was in terms of our country, did they feel we are doing enough, was that effort coordinated? And we get a thumbs down, especially in the Bulgaria region where so much of the traffic comes through. And your comment, Mr. Sabin, I tend to sympathize with you more than anybody else, and I think I am

sympathizing right, I think your objection to this Memorandum of Understanding is that you are not included. I cannot understand for the life of me why you are not included at an equal level, at an equal participatory level with Treasury and with State. And if there is one recommendation that ought to come out of this hearing, it should be that you lifted up and your Agency involved in this. Because so much of this terrorist financing is criminal. So much of it is coming right there out of Afghanistan. We talked with the generals and commanders in Afghanistan. We were talking about it with President Karzai in Kabul as we were meeting, and he said that is the number one problem. And when we talked with the generals and commanders on the ground in Afghanistan, they have a problem with al Qaeda, they have a problem with the Taliban, but their biggest problem is with the drug lords. And there is an interrelationship, they do not care how this money or where it goes, and so much of it, illicit money, coming out of the heroin trade and coming out of that region is used for terrorist financing. And I think that that is why we need to have a closer working relationship with the three of you.

And I would like to, in my final point here, get from you why you are so obstinate about the recommendations about the GAO who clearly to me seems to be the referee in this and the person who is trying to give us the direction we need. We need glue between the three of you and that glue is not there. And the American people deserve that glue to be there and we are not going to make it, we are not going to be successful if we do not have some kind of understanding, some kind of agreement. So I just wanted to get your reaction to what I have said. And, number one, basically what will it take for you all to understand we need that Memorandum of Understanding and agreement and certainly with the strategic planning and the recommendations that the GAO has made?

Mr. SABIN. I will start since it is a rare occasion when I can get a Congressman to agree with me.

Mr. SCOTT. Well, I certainly agree with you on this because I have been over there and I know about the criminal activity and I know what is happening over in that region and how it is getting right into the terrorists' hands.

Mr. SABIN. I appreciate your comments and I appreciate the goal that we need to rise to the occasion to get this right for the American people. And I think everyone here, both at the table and the people that we are speaking for who are doing the work day in and day out, share that mission and share that goal.

In terms of getting it right in terms of the specifics, I would say that the inclusion of all the sister agencies, the ones here and even Homeland Security, which is not, to make sure that we have it integrated. One of the fundamental points in the GAO report was to make sure that it is integrated. We would respectfully submit that we have a strategy in place. Is it evolving? Absolutely. Are we working to make sure that it is clearer, that roles and responsibilities and duties and responsibilities are understood so that it does not play out to negative consequences at the fundamental features of another country. Because when they are asking for our assistance, they are saying, okay, the U.S. Government, come here and share with us your expertise, your skills, and when we do not pro-

vide the highest and best or we do it because of the initial points that folks are making because of "turf battles," I think we all suffer, and we would suffer for a long-term basis. So I think we believe that we have strategic plans in place, that we are working to make them better and sharper and more focused, that would define the roles and responsibilities of each of the individual agencies, and that to enter into sort of a formulaic Memorandum of Understanding is not the mechanism to achieve that goal. That we need to in our strategic planning define those roles and responsibilities, I think we have articulated that here today and will continue to do so in order to achieve what you suggested we should be achieving.

Mr. SCOTT. What would it hurt to have a Memorandum of Agreement, of Understanding between the three of you? I cannot—where is the rub on this? Why would the GAO make that their primary recommendation to improve our ability to access information on terrorist financing and you all reject it, saying what you have is there? Something is not clicking here.

Mr. SABIN. Just to the finish the point, that goes back to their recommendation does not address Justice. So to take your premise—

Mr. SCOTT. Well, if they put Justice in it, would you be all right?

Mr. SABIN. Well, but take it to the next step, would you include Homeland Security?

Chairwoman KELLY. If the gentleman will yield?

Mr. SCOTT. Yes.

Chairwoman KELLY. In TFWG, Justice is included and so is Homeland Security, and other participants are the National Security Council, the CIA, the FDIC, and the Federal Reserve Board. Perhaps all of those Agencies should be included in an MOU. I think that is what you are talking about, is that Mr. Scott?

Mr. SCOTT. Yes, it definitely is.

Mr. SABIN. And then our point is that interagency process is in place, that it is evolving but we do have that structure and that folks have their duties and responsibilities as articulated in the Terrorist Financing Working Group or the next level in the TASG.

Chairwoman KELLY. Again, Mr. Scott, if you do not mind if I—

Mr. SCOTT. Please do.

Chairwoman KELLY. I suspect the evidence here is the frustration we all feel because it is not clear, it is not clear to us in Congress, it is not clear in the Senate and it is not clear here in the House, that it is structured, that there is working, that there is some kind of cooperation because the letters and responses we get say it is under study or we are discussing it. We do not see a clear structure and, clearly, that is exactly what the GAO was saying to us in their report. I do not know, Mr. Scott, if that characterizes what you are talking about but I believe that that is what we are all trying to do here, is find out if it exists, who is involved, what definition each person has, and if each Agency actually understands what they are supposed to be doing, and how it is working, whether this cooperation is working because we hear stories of the fact that there are still all the territorial fights going on. Go ahead, Mr. Scott, I am sorry, I yield back.

Mr. SCOTT. Yes, that is fine, I really appreciate it, Madam Chairwoman, that we are both saying the same thing and we have to get an answer to this. The American people are demanding that we get an answer to this. It is not working, it has to be fixed and we have to find out what this objection is. If you all cannot do it, then maybe we in Congress will have to, by Congressional act, force you to have a simple Memorandum of Understanding. It is as plain as the nose on my face, and just judging from our testimony here, that you should have a Memorandum of Understanding and agreement with what each is to do. Yours is an extraordinary mission, it is to provide technical assistance to foreign countries in terms of counter-terrorist activities for terrorist financing. And each of you have a role to play. It is important that you be on the same page. And all we are saying is, let's get the page. It is as plain as that. And I believe that this committee is going to get to the point, frustrated enough to the point, that we may have to introduce legislation for you to have to do that. That is what is going to help us. That is what is going to make sure that over in that region of the world where the money is coming from, if I am sitting up here and I have to go way to Afghanistan and Pakistan and Bulgaria and that whole region, that is where a great deal of the money is coming from. And our young men and women in uniform, doing a magnificent job over there, and they will tell you their biggest fight is against the war lords and the drug lords that is happening in that country. And President Karzai said the same thing. The officials in Bulgaria have indicated that their check point, that they don't even have a working relationship with the Treasury Department, with the State Department, let alone Justice. So we are woefully neglecting this. That Memorandum of Understanding, that report that is required to be given to the Congress is all that the GAO report is asking for. It is sensitive information. There is so much of what I want to say and ask for but I know C-Span goes everywhere and the terrorists will watch C-Span as well. And we do not want to give the enemy and terrorists as much information as they may need to counter what we are doing. But, the American people are demanding that we get the information one way or another. And I think that a Memorandum of Understanding is not too much to ask for, and I am on record as advocating that. I think that the GAO report is absolutely right, and I think we should follow those recommendations. For them to give the recommendations and you all to stonewall it, is not in the best interest of what we are trying to do.

Chairwoman KELLY. Thank you, Mr. Scott. Mrs. Wasserman-Schultz.

Mrs. WASSERMAN-SCHULTZ. Thank you, Madam Chairwoman. This question is for Mr. Sabin. Could you describe how the use of contractors by Treasury in the drafting of legislation in non-priority countries has created problems because I know that Justice feels strongly that is an issue? And can you also tell us what steps have been taken, if any, to remedy that problem?

Mr. SABIN. We are working with Treasury effectively and efficiently. There have been issues in the past regarding contractors, but there are a number of people, as Mr. Scott and others have mentioned, who are passionate about contributing to the mission.

And, as Mr. McDonald indicated, there are resources available in Treasury that can complement the Justice Department and other Agency's allocation of resources. In Justice Department's core areas, dealing with legislative drafting, assistance for judges and prosecutors, that is where our lane is and our primary focus. There have been instances in the past where because of miscommunication or other issues, we were not putting our best foot forward. I think we have addressed that. I think we understand where we need to be and that the Government is united in going forward to make sure that in those areas, there is not a misstep and that we are doing the best that we can do for our foreign partners in terms of training their judges, training their prosecutors, and drafting appropriate legislation for terrorist financing or money laundering.

Mrs. WASSERMAN-SCHULTZ. Mr. Sabin, do not take this the wrong way but that is a little vague. Could you be more specific as to what steps are being taken to resolve the conflict?

Mr. SABIN. Well, in terms of the Terrorist Financing Working Group, the individual countries that are requesting assistance, coming from the particular financial assessment reports that have been done by the country team that investigates what the needs are or the gaps are, we need a specific financial regulatory mechanism, a know your customer law, whatever the particular legislative need or gap that exists. So you sit down at the Terrorist Financing Working Group and say, "Okay, Justice, this is an area, a country that needs the assistance, do you have the appropriate resources, either in your Asset Forfeiture Money Laundering Section or your Office of Professional Development and Assistance in Training, where you can put a resident legal advisor in that particular country or some other mechanism, both in terms of your skills and experiences or your human capital to have them in place." If Justice can serve that need, we will then go advise the other members of the Terrorist Financing Working Group that we are deploying and make appropriate arrangements to share what we are experiencing once we have deployed, whether that is short term or long term. So that there is an assessment of who is going to be held accountable, what the specific needs are, how long that needs to be implemented or deployed, and then how you will measure and track the success of the specific country. And we go through each of the different countries with that kind of analysis and coordination with Treasury. We cannot be everywhere at all times so we respect and understand the value that the Treasury contractors or other agencies provide and welcome that as long as there is appropriate coordination at the outset so that we are giving the best assistance that we can.

Mrs. WASSERMAN-SCHULTZ. So the quarrel over contractors or no contractors has essentially been resolved and you are looking at it on a case-by-case basis?

Mr. SABIN. I believe that it has been resolved. Will it be perfect for every matter going forward? I cannot promise you that. But I think that from our perspectives sitting here today, we understand our roles, we understand our particular lane, and hopefully that there will not be any issues in the future.

Mrs. WASSERMAN-SCHULTZ. Thank you. My other question is for Treasury. According to the GAO report, Treasury rejected GAO's recommendation that your Department provide more complete information on the nature and extent asset blocking in the United States in your annual report to Congress. And, in fact, the GAO report states that Treasury wants to discontinue the requirement that Treasury produce that annual report all together. Why does Treasury think that it should not be required to report to Congress?

Mr. MCDONALD. I made it a point to touch base with my colleagues in the Office of Foreign Assets Control before I came up here today because since I am not an official from OFAC and do not really have a mandate in that area, I wanted at least to be able to provide as much information as I could about the current status of the issue that you raise. And I am advised by OFAC that the TAR, which is the vehicle for providing the information that you are referring to, is in the clearance process and is expected to be submitted to Congress this month. So I think that is in the next 24 days, if my math is correct. And that is as much as I know about it as of today, but I will be happy to take your question back with me and get more from them if you would like.

Mrs. WASSERMAN-SCHULTZ. Thank you. Madam Chairwoman, I realize my time has expired but I think that is a really important piece of information.

Chairwoman KELLY. And the committee officially requests a response to that question. Mr. McDonald, would you like to continue?

Mr. MCDONALD. May I share an anecdote that relates to the question that you raised earlier, Congresswoman, and that others have raised about how these kind of things can happen that an advisor might not respect or might overstep the boundaries of what he or she is supposed to do in a country and wander into the lane that is appropriately reserved for another Agency. When I was an advisor in Albania, I was from time to time asked to provide information on things that I knew something about actually, but I did not have a mandate to provide. My counterparts from that country, who did not understand really the structures of our Government, and whose own government did not have such formalized structures, found it very difficult to understand why, if I knew something, I couldn't go ahead and just tell them. The answer is that, and this was not an answer that they enjoyed hearing, was that I have to be disciplined, I have to respect their own needs, and their desires for information as quickly as possible, that I have to respect the mandate under which I am operating in that country. And I offer that anecdote as a way of indicating that sometimes the difficulties that we are talking about today arise out of the most positive of motivations, the motivation from a country to get information as quickly as possible, as efficiently as possible. The motivation for an advisor who is on the ground and has established a working relationship with those counterparts is to be helpful, but the right answer and the right thing is to respect the lines of authority. We are going to do that, but I offer that just as a real life on the ground example of how sometimes these things can happen.

Mrs. WASSERMAN-SCHULTZ. Madam Chairwoman, I would just conclude by saying that if there was a better working relationship

between the three Departments, then you probably would not run into problems like that. That is what Memorandums of Understanding are for.

Chairwoman KELLY. Let's hope. Ms. Moore.

Ms. MOORE. Well, good afternoon, thank you so much, Ms. Kelly, for calling this meeting. It certainly is responsive to the minority party to follow-up with this hearing. I wanted to follow up on things that have already been mentioned but give a very specific example, and I would like to ask Treasury and Justice about terrorist financing, about freezing the assets of the Muslim community. And, Madam Chairwoman, I would like to enter into the record an article from The Washington Post called, "The Crime of Being a Muslim Charity," without objection?

Chairwoman KELLY. So moved.

Ms. MOORE. Thank you. And my constituents are concerned that of the dozen or so charities that have been frozen, they would like to know how many of these employees, board members, or officers of these charities has Treasury convicted of aiding terrorists and what specific steps have you taken to sort out those funds that are terrorist financing and those that are simply part of their Zakat, which is like our tithing, that they are required to do as one of the pillars of their religion. And to really release those funds toward the Tsunami and Katrina and certain other activities where they really have wanted to contribute?

Chairwoman KELLY. Mr. McDonald, this is not a closed informational hearing, I just wanted to remind you of that.

Mr. MCDONALD. Thank you. Here, again, I am going to have to take your question, and I will take your question immediately back to my colleagues in TFI. I do recall, again from Under Secretary Levey's testimony earlier this week before another body on the Hill, he referred to and gave some information about the process of freezing assets of charities. I work everyday with my counterparts in TFI, Deputy Assistant Secretary Glaser, Assistant Secretary O'Brien, and others, and I will bring your question to them with dispatch.

Ms. MOORE. Well, thank you. And I just want to pursue a line of questioning that my other colleagues have pursued as it relates to this Memorandum of Understanding. With all respect to your internal process and internal agreements, GAO, which is a respected organization for their audits, has indicated that your internal agreements are ad hoc, they are mutable, they are non-transparent, and I have heard you, Mr. Sabin, indicate that this process is evolving. Well, what would be the harm in having a Memorandum of Understanding as a baseline understanding so that we would have committed in writing a starting point and recognizing the evolution of the Memorandum of Understanding, why not take on seriously GAO's recommendation to have this document at least as a starting point?

Mr. SABIN. To take the GAO recommendation on its face, as suggested, would not include the Justice Department in that Memorandum of Understanding. The recommendation that came with their draft report, Justice said why are not we included even though we do not receive funding, we submitted that to GAO specifically and they rejected that. So to take your question at its face,

they would not include Justice in that Memorandum of Understanding as presently drafted. So our request in that regard was not adopted. But we do agree that there should be a baseline understanding of duties and responsibilities, and we provided that information to the GAO. They did not think that was sufficient. We are mindful of that. And, as we indicated, are working to either clarify it here or as we go forward to make it as accurate as possible for both the folks at the headquarters level and in the field around the world about what our duties and responsibilities are.

In terms of your question about investigations and prosecutions, we would be happy to provide you information on individuals like Abraham Alamoudi, who was head of the American Muslim Council, involved in raising of funds, who was charged with criminal offenses, pled guilty and was sentenced to 22 years incarceration and is currently cooperating with law enforcement personnel. I would refer you to the Dallas Holy Land Foundation, I cannot talk about it specifically because it is an indicted matter, but a grand jury has passed on a true bill of indictment regarding those individuals and a number of those individuals have previously been convicted of other offenses in the Infocom trial that was conducted down in Dallas last year. I would refer you to Chicago with Mr. Arnout who was convicted of racketeering charges and was sentenced to a considerable sentence in the northern district of Illinois. I can provide you other cases not only in domestic United States prosecutions, but with our foreign counterparts where we have either shared information on an informal or formal basis, provided cooperating individuals to testify in their terrorist financing prosecutions, so our cooperators not only fueling the intelligence cycle so that information is fully shared domestically but on an international realm.

Ms. MOORE. Can I just follow up because I realize my time has expired, Ms. Kelly. Can you also include in that report, and congratulations on tracking down this terrorist financing, but could you also include in that report what efforts or what mechanisms are in place to divert those funds to the appropriate places where people claimed that they wanted the financing to go? My constituents have said that they have wanted it to go towards the Tsunami and Hurricane Katrina, and we sure need the extra bucks, so can you tell me about how we can unfreeze those assets so that they can reach the appropriate and intended charities?

Mr. SABIN. The charity question is one that in the interagency process we are working to effectively address because you do not want the ideals of the American people that are contributing their monies for humanitarian goals to be abused by a particular entity or a specific individual, so it would be a fraud on the donor with respect to that particular mechanism.

Ms. MOORE. Exactly.

Mr. SABIN. And that is an area where we are really trying to ensure that we have not fraudulent practices and on top of that those fraudulent practices allowing for the flow of monies to terrorist organizations so that is a key priority, not only of the Justice Department but all colleagues in the interagency process. And we would be happy to work with our counterparts not only on the blocking aspect but the ability to investigate and effectively prosecute.

Chairwoman KELLY. Thank you very much, Ms. Moore.

Ms. MOORE. And unfreezing. Thank you so much, Ms. Kelly.

Chairwoman KELLY. I might point out that part of the problem, as I understand the answer to your question, I do not know that anyone has an accurate accounting of what has been given where, and I think that may be part of the problem that they have with it. But I appreciate the line of questioning. I appreciate the fact that you came to the committee to participate. And I very much appreciate the patience and the cooperation of the people who are here on the panel, this panel of witnesses. The Chair notes that some members may have additional questions for the panel and they may wish to submit those in writing. So without objection, the hearing record is going to remain open for 30 days for members to submit written questions to these witnesses and place their responses in the record.

Again, we thank you for your patience and your answers. This hearing is adjourned.

[Whereupon, at 1:15 p.m., the subcommittee was adjourned.]

A P P E N D I X

April 6, 2006

Opening Statement

Chairman Michael G. Oxley
Committee on Financial Services

Counter-Terrorism Financing Foreign Training and Assistance: Progress since 9/11

April 6, 2006

Good morning to our witnesses, Members and guests. First, I would like to thank Chairwoman Sue Kelly of the Oversight and Investigations Subcommittee for scheduling this hearing.

The recent Government Accountability Office's report on Federal agency management and coordination of our foreign counter-terrorism training and technical assistance programs reflects diligent efforts to insure the efficient use of government resources for this vital task.

It is absolutely critical that our government continues to build and strengthen our campaign to choke off the funding sources for terrorism. A critical part of that fight is the program to help vulnerable foreign countries disrupt the flow of funds to terrorist operations, detect the sources and strengthen their laws to give them the tools they need to combat the threat.

Last year three of our colleagues from the other body, Senators Grassley, Collins and Durbin, asked the GAO to look into this interagency program. The GAO completed its review in October, finding several weak points in the coordination of resources among State, Treasury and Justice.

As the Chairwoman has noted, the GAO, in brief, found the absence of, quote, "an integrated strategy to coordinate the delivery of counter-terrorism financing training and technical assistance to countries vulnerable to terrorist financing," close quote.

I have been assured that since the report's October, 2005 release, the agencies involved have been working to remedy the noted deficiencies.

I understand that our witnesses, in addition to Comptroller General Walker of the GAO, include three departmental officials who are intimately familiar at the operational level with ongoing efforts to provide the proper level of coordination that the GAO found lacking.

I am eager to hear about the progress being made, and look forward to a productive discussion.

Madame Chairwoman, my thanks again for your efforts help us strengthen our efforts in this critical area of the global war on terror.

Statement of Chairwoman Sue Kelly
Subcommittee on Oversight and Investigations
"Counter-Terrorism Financing Foreign Training and Assistance: Progress since 9/11"
April 6, 2006

The Subcommittee on Oversight and Investigations is gathered today to hear testimony on "Counter-Terrorism Financing Foreign Training and Assistance: Progress since 9/11."

This Committee has been working hard to improve efforts to stop terror finance, both within the United States and overseas.

There have been many successes, but we know that terror networks will always adapt to our successes in tracking their financial activities.

And as the terrorists continue to adapt, the cooperation of other nations becomes even more essential.

Recent examples remind us of the continuing need to secure better assistance from other nations in fighting terror finance.

Just this week, the *New York Post* reported that a bank in New York had moved more than a billion dollars to terrorist havens in the so called "tri border" area of Brazil, Argentina, and Paraguay.

The Holland-based ABN Amro was recently fined $80 million for facilitating illegal trades with Iran and Libya.

And as we speak, the nation of Jordan, an important strategic ally, still lacks appropriate financial defenses, despite reports that their financial system is being used to finance the insurgency and despite the Arab Bank scandal which revealed glaring weaknesses in the Jordanian-controlled bank.

Our efforts to compel better cooperation in securing the international financial system rely on a strong and unified approach from the federal agencies which share responsibility on this issue. Unfortunately, we find this coherency is often lacking.

This committee has seen it firsthand. For example, the State Department testified before the International Relations Committee in 2004 that Saudi Arabia had established a financial intelligence unit.

Later that same year, Treasury Department officials testified before this subcommittee on more than one occasion that the Saudis had not yet established an FIU.

I went to Riyadh last year and found out the truth – the Treasury Department was correct.

While the Saudis have made substantial progress in the last year toward establishing an FIU, the point remains that Treasury and State were not on the same page regarding an important anti-terror finance tool in a critically important country.

What does this say about our broader efforts?

The GAO has presented us another troubling example with a detailed report requested by Senators Grassley, Collins, and Durbin on interagency cooperation in assisting other countries in counter terror cooperation.

This report concluded that better cooperation was needed between State, Treasury, and other agencies in developing priorities, delivering aid, and assessing results. In particular, the report found that:

- State and Treasury disagreed about who the lead agency is in technical assistance to foreign countries.
- The United States government does not have a system of measuring the effectiveness of aid delivered.
- The Treasury Department lacked the ability to provide an accurate account of terrorist funds frozen.

Unfortunately, these conclusions are not as surprising as they should be, and we've got to do more – now – to unify the government's efforts.

I have sponsored legislation with Mrs. Maloney that would provide an objective assessment measure on technical assistance. The Treasury-led certification regime on money laundering and terrorism finance in HR 3505 would allow each nation to be graded on how well it is doing. The FATF process is no longer an adequate measure, or else State and Treasury would only be working with two countries, not a dozen. This legislation passed the House by a vote of 415-2 and is now under consideration in the Senate. Without public measures of effectiveness America's businesses, investors, and taxpayers will never know if your efforts are adequate or not.

A fragmented approach sends the wrong message to other nations whose cooperation we are seeking. I want to hear today answers from these agencies that will help us heal the fractures which are undermining the fight against terror finance.

Statement from Senator Charles Grassley
Before the House Financial Services Subcommittee
on Oversight and Investigations
April 6, 2006

Chairwoman Kelly, Congressman Gutierrez and members of the House Financial Services Subcommittee on Oversight and Investigations, thank you for holding this hearing to further explore issues raised in the October 2005 GAO report requested by Senators Durbin, Collins and myself. I especially want to thank the GAO investigative team, including Loren Yager, Christine Broderick and Kate Monahan, for their hard work on terrorist financing projects over the last four years. Their dedication was unwavering and their professionalism throughout the whole process is a credit to GAO and the investigative process. I look forward to working with this great team again on other projects.

We requested the GAO investigation because we continue to be deeply concerned about the federal government's ability to coordinate its efforts among U.S. departments and with our international partners to identify and halt terrorist financing both domestically and internationally. When members of Congress raise concerns with department leaders about possible conflicts between departments and agencies, we are always reassured about the extraordinary levels of cooperation and coordination. Yet, we rarely witness this extraordinary cooperation in action. Instead, I have learned over the past few years that turf battles and infighting between departments, as well as, competition for increased funding continue to impede our efforts to implement effective programs that would help protect our citizens.

The GAO report findings, and especially the subsequent agency comments provided by the Treasury and State Departments, shed a great deal of light on just how poorly our government agencies work together, especially when competing for program leadership and funding priorities. For countries that are desperate for our expert assistance, the lack of effective leadership from the top down has led to either duplicate programs or worse-no assistance at all. For example, turf battles and poor coordination have led to such actions as the State Department's withholding of clearances for Treasury personnel, who, at the request of that country's central bank minister, were to travel abroad to provide assistance. Regardless of whether this was some petty action by one department against another or the lack of cooperation and coordination - the actual result is that requests for assistance from foreign governments are either delayed or unfulfilled, precious time is lost and serious weaknesses remain in our ability to protect our citizens.

We also requested that the GAO review the Treasury Department's efforts to produce the annual Terrorist Asset Reports (TARs) because we found them to be ineffective in providing usable information. The TARs were requested by Congress to gain a better

understanding of the "nature and extent" of terrorist assets being held in the United States. Also, the legislation specifically requested a "detailed list and description of specific assets." The TAR reports submitted to Congress provided none of this information. Moreover, I am as concerned as the members of this Subcommittee about the Treasury Department's statements regarding the usefulness and Congressional intent of the TAR reports. While OFAC and other Treasury officials may not support the need for an effective TAR report, I do. I intend to demand an effective and comprehensive annual report that actually fulfills the Congressional mandate, not the Treasury Department's own interpretation of Congressional intent. I encourage the members of this panel to join me in that endeavor.

The most important recommendation to come out of the GAO investigation and subsequent report is our continued need for an effective strategy to combat both money laundering and terrorist financing. Well before 9/11 and the current focus on terrorist financing, I pushed for a unified, cohesive effort to flush out all forms of money laundering in the form of a National Money Laundering Strategy. The 'National Money Laundering Strategy' would be an excellent vehicle to clearly define the leadership and support roles for each department and agency with jurisdiction over money laundering regulations and investigations. An effective strategy must identify the risks and threats that we, as a nation, face from this insidious problem. Without the identification of specific risks and threats, that are continuously reviewed as criminals adapt and change to our anti-money laundering efforts, we cannot begin to implement laws and regulations that will effectively combat this problem and protect the integrity of our financial system. The most recent strategies have not included effective leadership, clear priorities, or accountability mechanisms, all of which are needed for an effective strategy.

I also urge the Policy Coordination Committee (PCC) at the National Security Council (NSC) to assume a stronger and more visible leadership role in implementing our Training and Technical Assistance program and push for greater transparency in the process. The PCC must take an active role in coordinating both the activities of the departments and agencies involved in combating terrorist financing, and in developing an annual, government-wide assessment of resources available to address all aspects of this threat. The PCC is also uniquely situated to establish a formal integrated strategy that would coordinate the training and technical assistance programs at both the Treasury and State Departments. I urge the PCC to ensure that all final documents are in unclassified form, and that copies are made available to the appropriate House and Senate oversight committees.

It is my understanding that the latest TAR report is expected to be released this month. I strongly urge the Treasury Department to provide this information as quickly as possible and in a format that is useful to Congress and to the citizens of the United States. It is imperative to the security of our country that we clearly understand the threat posed by terrorist financing and thus be able to effectively address this threat.

Madam Chairwoman and members of the Subcommittee, I want to thank you again for holding this hearing to discuss and address these serious issues that threaten our ability to combat terrorist financing. I encourage the members of the panel today, including officials from the administration, to focus on coordination and cooperation and to utilize the GAO report which provides excellent recommendations.

Thank you. I look forward to working with you in the future.

Opening Statement: U.S. Rep Ed Royce (CA-40) "Counter-Terrorism FinancingForeign Training and Assistance: Progress Since 9/11" 6 April 2006

Thank you, Chairwoman Kelly for calling this hearing. Your consistent leadership on this issue is to be commended.

Today, we address the very important topic of terror finance. For years terrorist organizations such as al-Qaeda have used a variety of methods to finance their operations that stretch across the globe, including: charities, wealthy donors, *hawalas*, financial institutions, drug trafficking, conflict diamonds, and other commodities. Tracking terrorist financing has proven an effective way not only to disrupt terrorist plots and organizations, but also to glean intelligence on terrorist operatives. However, because of its complexity and variety of methods, terrorist finance has been a "hard target" for the U.S.

The methods to combat such financing came under some scrutiny with last year's Government Accountability Office (GAO) report on terrorist financing. Addressed in this report was the issue of agency oversight and accountability, avenues for proper policy implementation, and problems with inter-agency coordination.

In my view the Treasury Department is best equipped to oversee our government's counter-terrorist financing efforts. Congress has vested Treasury with Bank Secrecy Act and Patriot Act compliance and enforcement. Additionally, the Treasury, not the National Security Council, the Department of Homeland Security, the State Department, or the FBI, has an institutional and historical relationship with the foreign central banks and ministries of finance responsible for instituting anti-terror finance laws in their respective countries. Treasury also can apply pressure on nations through its seats on multilateral institutions like the World Bank and the IMF.

This Committee should lead Congress down the path of creating an environment where financial intelligence is gathered, shared, analyzed, and used appropriately and effectively. Inter-agency coordination is crucial to our eventual success; however, I believe that Treasury may be the most effective leader in these coordination efforts.

Again, I thank the Chairwoman for her continued leadership in this very important issue, and I yield back the balance of my time.

Testimony of Gerald M. Feierstein
Deputy Coordinator for Programs and Plans
before the
House Committee on Financial Services
Subcommittee on Oversight and Investigations
April 6, 2006

"Counter-Terrorism Financing Foreign Training and Assistance: Progress Since 9/11"

Chairwoman Kelly, Congressman Gutierrez, members of the Committee, thank you for the opportunity to speak to you today about progress made since 9/11 on counterterrorism financing foreign training and assistance. In this testimony, I will first discuss the evolution of CT finance efforts since September 11, 2001, followed by a detailed description of the Terrorist Finance Working Group and its successes, and a discussion of interagency efforts to respond to new threats. Finally, I will conclude with a description of efforts underway since the Government Accountability Office's (GAO) October 2005 report to improve the effectiveness and efficiency of interagency CT finance activities.

Evolution of CT Finance Efforts Since 9/11

The tragedy of September 11, 2001 changed the way we approach terrorist financing. Over the past four and a half years, we have made solid progress in making it more difficult for terrorists to finance their activities, forcing them into more risky and more costly means of moving money, including the use of cash couriers to transport funds across borders. The U.S. Government has worked to create and implement programs that develop or enhance the capacity of key partner nations to detect, disrupt, and dismantle global terrorist financing networks. These programs deny financial safe-havens to terrorist organizations and their supporters by developing or reinforcing the capacity of key partner nations to monitor and police financial transactions within their borders and share information internationally. Our objective is to build sustainable, dynamic anti-money laundering and counterterrorist financing regimes that adhere to international standards and implement effective programs in the legal, financial-regulatory, financial intelligence, law enforcement, prosecutorial, judicial and international cooperation fields. Equally important, improving the capability of our partner nations to combat terrorist financing significantly enhances our own ability to detect and isolate terrorist financiers and to "follow the money" right to where it links global terrorists to their support networks. This is why your hearing today is especially important.

The creation of the Terrorist Finance Working Group in October 2001 was a direct result of 9/11. This interagency working group was established to leverage existing anti-money laundering expertise across the U.S. Government and develop specific CT finance capacity-building programs. Members of the interagency working group coordinate, develop, and provide CT training and technical assistance to foreign partners that we have identified as the most vulnerable to terrorist financing. Co-chaired by the State Department's Office of the Coordinator for Counterterrorism and the Bureau for International Narcotics and Law Enforcement Affairs,

this interagency process has also included the Departments of Treasury, Justice, and Homeland Security, independent financial regulatory agencies, and the law enforcement and intelligence communities. While the current interagency structures are the subject of ongoing reform discussions, they have been useful and effective for the purposes of receiving intelligence briefings, scheduling assessment trips, reviewing country reports, and discussing the development and implementation of technical assistance and training programs. Since January of 2006, I have been active in the process and am pleased to report that all members of the working group have shown that they are committed to providing well-coordinated, high-quality CT financing assistance to our international partners, strengthening our partnership and furthering our common effort to disrupt the financing of terrorist organizations.

The interagency process is part of our national, integrated counterterrorist finance efforts. These efforts include interagency structures that are tasked to identify, track, and pursue terrorist financing targets, and other interagency bodies which work with the international community to take measures to thwart the ability of terrorist to raise and channel the funds they need to survive and carry out their heinous acts. The process maximizes U.S. Government training, resources and expertise, and deploys them against the most critical terrorist financing threats and in the countries and regions where we can make the biggest impact. The State Department's role in the interagency process has been to steer the process to ensure that we develop and sustain the international relationships, and set priorities among strategies and activities to win vital international support for and cooperation with our efforts. These efforts include the provision of training and technical assistance in close coordination with the Departments of Justice, Treasury, Homeland Security and the financial regulatory agencies.

Within the interagency process, the State Department has two primary roles: (1) to build the political will and the capacity of foreign partners to combat the financing of terrorism, and (2) to ensure that all agencies set the most effective priorities for use of our limited resources. Stemming from the State Department's overall responsibility for managing foreign assistance programs, we lead the interagency effort to coordinate, facilitate, prioritize, and deconflict the delivery of technical assistance and training by a variety of executive branch agencies to the governments of priority countries around the world. We seek to improve their ability to investigate, identify, and interdict the flow of money to terrorist groups. My colleagues from the Departments of Justice and Treasury will speak to their respective roles.

As in any interagency process, there are inevitable challenges and occasional disagreements. To minimize possible friction resulting from poor communications, we have gathered bi-weekly to share joint briefings and analysis to ensure that each agency has the same information and the background for each country and project. The working group mechanism makes it possible for members to receive detailed reviews of programs in individual countries, ensuring that each member agency is aware of what the others are doing. Each agency brings a different set of skills – and occasionally different priorities – to the table, but we share the common objective to deprive terrorists of their money. In my personal experience, the occasional friction is part of a healthy interagency process, normally followed by a robust interagency discussion process that resolves most disagreements. However, the process is part of a larger structure that provides, in the event of genuine disagreements, a path for resolution. As it stands now, the Terrorist Finance Working Group reports to the National Security Council's

Counterterrorism Security Group's Training and Assistance Subgroup, which in turn reports to the National Security Council's Counterterrorism Security Group. I will discuss this organizational relationship later in my testimony.

CT Finance Activities

To maximize resources and focus on the greatest terrorist financing threats, the interagency team developed a priority list of countries for the provision of assistance. Based on intelligence and law enforcement information, the original priority list identified those states most vulnerable to terrorist financing by al Qaida, Hamas, and Hizballah. The interagency team periodically reviews and updates this list in response to emerging threats. Approximately two dozen countries are on this list.

Once a country is identified as a priority, the working group employs the following systematic five-step process to build specialized, comprehensive anti-money laundering and counterterrorist finance regimes through training and technical assistance:

(1) **Determine specific assistance needs to combat money laundering and terrorist financing** with Financial Systems Assessment Team onsite visits or Washington tabletop exercises. The State-led teams include 6-8 technical experts from the Departments of Justice, State and Treasury, financial regulators, and law enforcement agencies. The onsite visits take about one week and include in-depth meetings with host government financial regulatory and legal officials, law enforcement agencies, the private financial services sector, and non-governmental organizations, as well as with U.S. officials at post. Tabletop reviews of international financial institution assessments are also accepted

(2) Prepare formal assessment reports on terrorist finance vulnerabilities and **make recommendations for CT finance training and technical assistance** to address these weaknesses. The formal report is shared with the host government to gauge its receptivity to U.S. offers of assistance.

(3) **Develop CT finance training implementation plans** based on the recommendations in that report that may include legal drafting assistance to ensure that a country's legislation meets international standards; financial regulatory training to detect and report suspicious transactions; financial intelligence unit development; financial investigative training for law enforcement agents; and, judicial and prosecutorial training to more effectively address financial crime cases and enhance international cooperation.

(4) **Provide sequenced training and technical assistance** to these countries either in-country, through regional programs, or in the United States.

(5) Encourage other donors and providers of technical assistance to deliver complementary training. This **burden-sharing** is done with our allies via the European Union and/or directly with member governments; with international financial institutions such as the International Monetary Fund, World Bank, Asian Development Bank and other regional development banks; and, through international organizations such as the

United Nations, Financial Action Task Force, and the G-8 to capitalize on and maximize international efforts to strengthen CT finance regimes around the world.

Tenets of CT Finance Assistance

Through the working group process, U.S. agencies working in countering terrorist financing have determined that vulnerable countries must address certain core issues if they are to respond adequately to the threat. The process is designed to ensure that as we review each country's program, all of the issues are addressed either directly through U.S. foreign assistance or by other donors.

Legal Framework. To comply with the international standards established by the Financial Action Task Force and United Nations, each state is required to criminalize terrorist financing and money laundering. Legislation should establish effective measures to block and seize assets of terrorist financiers and their supporters. Each country should provide its law enforcement agents, prosecutors and judges with ample legal authority and tools to pursue and successfully prosecute terrorist financing cases. Every nation should ratify the UN instruments related to terrorism at the earliest opportunity. Robust counterterrorist financing and anti-money laundering legislation provides a country with the requisite legal foundation to combat these crimes. The U.S. Department of Justice is the lead agency providing technical assistance with draft legislation that criminalizes terrorism, terrorist financing and money laundering to countries that request such assistance. In certain cases, the Department of Justice has placed Department of Justice Resident Legal Advisors to provide long-term assistance in-country to those drafting or amending counterterrorism legislation, and to advise on the effective enforcement of a new or revised CT finance and anti-money laundering regime.

Financial Regulatory Supervision. Each country should determine which regulatory agency or agencies that will be responsible for ensuring that the financial sector comply with measures to combat terrorist financing. Governments should develop strict regulatory and compliance measures regarding terrorist financing and money laundering and create a formal system for financial institutions to report suspicious activities to the regulatory agencies. Each country should establish penalties to ensure the effectiveness of the compliance regime. Banking, securities and other financial regulators need to educate the public and private sectors as to possible abuse by terrorists. The U.S. may provide assistance to strengthen the financial regulatory regimes of countries that request such assistance through our regulators including the Federal Reserve, FDIC, and Treasury's Office of the Comptroller of the Currency and its Office of Technical Assistance. Training includes courses for bank examiners on reporting suspicious activity and detecting indicators of terrorist financing and money laundering schemes, such as structuring.

Financial Intelligence Unit. Each country should establish a Financial Intelligence Unit, or FIU, to collect, analyze, and disseminate financial intelligence once it has the requisite legislation that criminalizes money laundering and terrorist financing. The FIU should develop an efficient system for the relevant financial sectors to report suspicious activities related to terrorist financing and money laundering. The FIU should be responsible for analyzing these suspicious activities reports and either investigating or referring the cases to law enforcement

agencies for investigation. The FIU should establish appropriate channels to share financial intelligence with its foreign counterparts to assist with financial crime investigations. The U.S., through the Department of Treasury's Office of Technical Assistance and FinCEN, provides training and technical assistance to foreign FIUs. Such assistance includes the provision of equipment, information technology assessments, and specialized analytical software and analyst training for fledgling FIUs.

Law Enforcement Investigations. Law enforcement agencies must be granted adequate legal authority to pursue financial crimes including terrorist financing cases. Such powers should include the legal basis necessary to access financial records to investigate financial crimes. Governments should establish specialized units and interagency task forces to pursue terrorist financing cases. Law enforcement agencies should coordinate investigations of terrorist financing cases with the prosecutor's office. The U.S. provides assistance programs in the form of financial investigative training to foreign law enforcement agents who request such assistance. The FBI, State Department, Department of Treasury and Department of Homeland Security's Immigration and Customs Enforcement and Bureau of Customs and Border Protection conduct training courses for their foreign counterparts to develop the skill set necessary to investigate financial crimes including terrorist financing.

Prosecutorial and Judicial Processes. The complex technical nature of terrorist financing cases requires specialized training for prosecutors and judges to enhance their ability to effectively handle these priority crimes. In addition, prosecutors and investigators must work together and, in certain circumstances, be assembled in specialized units to facilitate their work on terrorist financing cases. The Department of Justice has the expertise to furnish technical assistance in creating joint task forces and specialized units, in addition to providing technical assistance to prosecutors and judges in the field.

Success Stories

The working group has experienced real success. Since 9/11, the coordinated efforts of State, Treasury, DOJ, and out other partners in the interagency counterterrorist financing community have provided CT finance and anti-money laundering assistance for over 1850 foreign counterparts in over 18 priority countries. Numerous countries have either adopted new legislation to fight terrorist financing or are in the process of doing so and they have reinforced their bank regulatory regimes to better supervise their private banks. The assistance we have provided has led to the arrest and conviction of terrorists in South East Asia and the Middle East, as well as the conviction and subsequent designation of a terrorist fundraiser in the Middle East by "following the money trail". More specifically, the Financial Investigative Training, conducted jointly by the FBI Terrorist Finance Operations Section and the IRS Criminal Investigations Unit, continues to be extremely successful. In the Middle East, for example, this training has enabled a partner nation's law enforcement officials to identify and take action against several al Qaida cell members.

Perhaps the most remarkable example of the impact of our comprehensive counterterrorism finance and anti-money laundering assistance is the case of Indonesia in the wake of the Bali bombings. Following the October 2002 attack in Bali, the Government of

Indonesia requested significant counterterrorism assistance from the U.S. and Australia to manage the post-bomb blast investigation of the attacks and to enhance their CT capabilities. CT finance training and technical assistance was part of this request. To address the financial aspects of the investigation, in September 2003 a Financial Systems Assessment Team was deployed to Indonesia to evaluate the country's needs. The U.S., working through the interagency process, crafted a comprehensive foreign assistance program to address those needs.

As a result of counterterrorism finance and anti-money laundering assistance provided by the U.S., we have seen a number of successes in Indonesia. Anti-money laundering legislation there has been amended to meet international requirements, which subsequently led to the delisting of Indonesia from the Financial Action Task Force's list of Non-Cooperating Countries and Territories in the fight against money laundering. The Indonesian Central Bank has put in place rules and procedures to enhance anti-money laundering compliance for private sector banks. Indonesia's Financial Intelligence Unit has become fully operational, and is receiving and analyzing suspicious transaction reports; over 20 cases have been successfully prosecuted. The Indonesian National Police has established a specialized counterterrorism unit that includes financial investigators who have received CT finance and anti-money laundering training. Finally, the Indonesian Government is working with a U.S. Department of Justice, Office of Overseas Prosecutorial Development Assistance and Training (OPDAT) Resident Legal Advisor in Jakarta to implement its anti-money laundering legislation and to prepare cases to prosecute financial crimes. We have worked closely with foreign partners such as Australia and Japan to coordinate our assistance to Indonesia to reinforce its ability to combat financial crimes. We consider the case of Indonesia a model one in which the U.S. interagency process provided comprehensive capacity building programs in conjunction with our allies in the region to improve the country's ability to detect, disrupt, and deter terrorist financing and money laundering.

The U.S. Government, in partnership with several Middle Eastern governments, has provided specialized training in the financial regulatory, Financial Intelligence Unit, and law enforcement areas. As a result of this specialized training a number of governments have changed their legal regimes to enhance implementation of Financial Assistance Task Force Recommendations. Specialized financial investigative training to partner nations has resulted in the identification of al Qaida members operating in these Gulf countries and law enforcement actions being taken against those identified al Qaida members.

Response to New Threats of Terrorist Financing

Even with these successes in hand, we must continue to work to respond rapidly to newly-identified terrorist financing mechanisms and international requirements. To that end, we are developing new courses to address these challenges. Since the formal financial sector has adopted stricter measures to monitor bank transactions post-9/11, terrorists and criminals are increasingly using non-bank conduits such as charities, alternative remittance systems (hawalas), and cash couriers to raise and move funds. The international community has recognized these growing threats and the Financial Action Task Force's Special Recommendations are aimed specifically at these non-bank conduits.

As part of the U.S. Government's efforts to address the difficult challenges of terrorist use of Non-Governmental Organizations and cash couriers, this interagency working group has developed unique courses designed to assist countries in implementing new global standards to effectively confront these threats. Specifically, the working group has developed a charities seminar to educate government officials on the vulnerabilities of the charitable sector to terrorist financing and other financial crimes, and to share best practices and procedures designed to encourage charitable giving, while minimizing the risk of diversion of donation for terrorists and terrorist organizations. The first training seminar of this kind -- "Safeguarding Charities from Abuse" -- was conducted in Southeast Asia just weeks before the devastating December 2004 tsunami, and the best practices shared at the seminar were implemented to ensure the integrity of international donations channeled through NGO's for the relief effort.

The working group also has developed a course on combating illicit cash couriers. This comprehensive course is designed to enhance the ability of host nation customers and law enforcement officials to target cash couriers, seize funds, investigate the source and destination, and share this information both domestically and internationally. As a result of this cash courier training, some countries are already beginning to change their laws and procedures for dealing with illicit cash couriers. This course has been conducted in the Middle East and Southeast Asia and has received extremely positive feedback from our foreign counterparts.

Progress Since the GAO Report

The interagency will continue to work toward enhancing the effectiveness and efficiencies of the process. We have taken measures following the GAO's report to strengthen interagency coordination and enhance the development and delivery of CT finance foreign assistance programs. These measures have proven effective.

The elevation of the working group's leadership is one such example. The working group previously met as an ad-hoc interagency body, chaired by the State Department at the Office Director level. In January, the chairmanship was elevated to the Deputy Assistant Secretary-level. Another change was the resuscitation of the National Security Council's Counterterrorism Security Group's Training and Assistance Subgroup (TASG), led by the Coordinator for Counterterrorism at the Assistant Secretary-level. It coordinates all USG counterterrorism assistance, including CT finance. The Terrorist Finance Working Group now reports to this body. Should any issues arise that cannot be worked out by the members of the working group – something that has not occurred since I assumed duties as co-chair in January – it is referred to the TASG for resolution. If the TASG cannot resolve the issue, it is referred to the National Security Council's Counterterrorism Security Group, or CSG, which focuses on broad U.S. counterterrorism policy issues and is chaired at the Deputy-level. Interagency members of the working group agree on this mechanism for dispute resolution.

In response to the GAO report, we have dedicated resources at the Department of Justice, Office of Overseas Prosecutorial Development Assistance and Training to measure the effectiveness of our counterterrorism finance and anti-money laundering programs. This system of measures includes performance measures that examine the basic tenets of an effective counterterrorism finance and anti-money laundering regime for each country that has received

U.S. foreign assistance in this area. This system includes reporting on how U.S. foreign assistance has been allocated, to which countries, for which courses, and for how many foreign counterparts. In addition, we analyze what type of practical impact our training programs have had on the ground. For example, regarding legal development and reform, we evaluate whether counterterrorism finance and anti-money laundering legislation has been drafted in compliance with international standards and adopted in a specific country. For the banking sector, we review whether the financial regulators have adopted new measures to improve "know your customer" compliance procedures. On the law enforcement front, we track how many money laundering and terrorist financing investigations are underway and have led to successful prosecutions. We determine whether a country recognizes the threat of terrorist financing through charities and cash couriers and what measures have been put in place to respond to those threats. With this system, we hope to determine how and where our capacity building programs have had the most impact and how we can improve and apply them in other countries.

Chairwoman Kelly, Congressman Gutierrez, members of the Committee, over the past few months I have experienced and participated in an interagency process that works well. It continues to operate in accordance with guidance received from Deputies. Specifically, Deputies of affected U.S. agencies and departments agreed on the working group's integrated strategy, including the roles and responsibilities of members of the working group.

Members of the working group agree on each others' respective roles. For example, we agree the State Department chairs the working group and coordinates training and technical assistance abroad for priority countries. Given its expertise in the area, we support the Justice Department's lead role in prosecutorial and judicial assistance matters, including drafting anti-money laundering and CT finance legislation. We support the Treasury Department's lead role in providing financial regulatory assistance and Financial Intelligence Unit development and implementation of targeted financial sanctions. We support the Department of Homeland Security's lead role in providing training to combat illicit cash couriers.

Given our resources, we also agree on the use of contractors for training and technical assistance to priority countries when and where appropriate and as approved by the working group. There is no blanket prohibition against the use of contractors. As per Deputies, should the Department of Justice and the working group agree to use contractors to draft legislation, all parties should be kept fully informed of developments at all times. In this regard, we all now agree that contractors should not enter into confidentiality agreements with foreign governments as it complicates the U.S. Government's ability to assess a situation and provide appropriate training. This issue has been resolved.

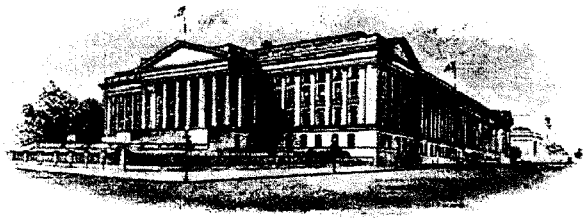
Each U.S. Government agency or department brings something unique to the table. Interagency participation in assessments is critical in producing comprehensive, accurate and effective training plans. The State Department works to ensure these assessment teams include the appropriate expertise. Sometimes security and ongoing diplomatic efforts/initiatives complicate our efforts, but we work through these issues with our interagency colleagues.

Conclusion

We have made substantial progress since September 11, 2001. We have developed a broad and strong international coalition against terrorist financing. We have supported changing national laws, regulations and regulatory institutions and training intelligence and law enforcement around the world to better combat terrorist finance and money laundering. We are opening, cultivating and strengthening dialogues and relationships with foreign counterparts in vulnerable regions as a means of strengthening their counterterrorism finance regimes. As a result, we have made it harder for terrorists and their supporters to use both formal and informal financial systems. Testament to our efforts is the A-minus grade we received for our overall CT finance efforts from the 9/11 Commission. While this is a good score, we continue to strive for improvements that would result in an A-plus grade.

Despite its importance in the overall counterterrorism effort, and all the discussions about it, relatively few dollars are devoted to training and technical assistance for anti-money laundering and CT finance. Congress could strengthen this tool by fully supporting the Administration's funding request for this crucial task.

Chairwoman Kelly, Congressman Gutierrez, members of the Committee, our work is far from done. As we continue to fight on this and other fronts in the War on Terror, we face a resilient, adaptable and ruthless foe and must constantly anticipate and help countries all over the world prepare for the next move before it happens. Terrorists and terrorist tactics are evolving and persisting – and so must our efforts. Fortunately, the State Department does not and should not take on this fight alone, nor should any other U.S. Government agency or department. Key to our continued success in tackling terrorism finance is strong, effective U.S. interagency coordination. Therefore, we must continue to pool our expertise and resources in order to continue to realize real success in the future. Thank you.



U.S. TREASURY DEPARTMENT
OFFICE OF PUBLIC AFFAIRS

EMBARGOED UNTIL 10:00 AM, April 6, 2006
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Testimony of William Larry McDonald
Deputy Assistant Secretary for Technical Assistant Policy
U.S. Department of the Treasury

House Financial Services Subcommittee on Oversight and Investigations

Chairwoman Kelly, Congressman Gutierrez, members of the Committee, I appreciate this opportunity to speak to you today regarding the Government Accountability Office's October 2005 report on U.S. efforts to deliver training and technical assistance abroad to combat terrorist financing. In my testimony I will focus on the role of the Treasury Department in the interagency process for coordinating the provision of technical assistance and training. I will briefly describe the work of the Treasury Department's Office of Technical Assistance (OTA), and will review some examples of training and technical assistance that illustrate the Treasury Department's track record and how we fit in with both: (i) the broader U.S. Government technical assistance and training mission abroad to combat terrorist financing, and (ii) Treasury's broader technical assistance mission in countries of strategic interest.

It is important to note that the U.S. Government's counter-terrorist financing technical assistance and training abroad are crucial components of the U.S. Government's overall strategy to combat terrorist financing abroad. As the Treasury Department noted in its response to the GAO's October 2005 Report, other elements of the Treasury Department and the U.S. Government are focused on other crucial components of this U.S. Government counter-terrorist financing strategy.[1]

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[1] The Treasury Department's response to the GAO's October 2005 Report notes that the U.S. Government's strategy for combating terrorist financing abroad, as described in the *2003 National Money Laundering Strategy*, includes the following core strategic aims:

- Applying financial authorities and targeted financial sanctions against individuals and entities comprising terrorist organizations and their support networks;
- Establishing international standards to combat terrorist financing;

Today the Treasury Department is fully and cooperatively engaged with other agencies to ensure the timely delivery of quality training and technical assistance abroad, and that our collective effort is producing results. Recognizing that there is always room for improvement, Treasury is working with the Departments of State, Justice, and Homeland Security to make any needed adjustments that would enhance our coordination and effectiveness in this critical area.

Treasury's Office of Technical Assistance

The Department of the Treasury, through OTA, provides policy advice and technical assistance to select reform-minded governments seeking to strengthen their management of public finances. Most of these countries are in the process of development or transformation. Others have suffered severe deterioration of their financial institutions as a result of war, civil strife, or prolonged neglect. In all cases, OTA's assistance aims to increase transparency and accountability, reduce corruption, and strengthen the development of market-based policies and practices that support growing economies and stable democracies.

OTA focuses its assistance on five core disciplines:
- budget policy and management;
- banking and financial services;
- government debt issuance and management;
- tax policy and administration; and
- financial enforcement.

Assistance may take a number of forms, both broad and specific: supporting the development of sound macroeconomic and financial policies; helping governments to strengthen the legal and regulatory foundation for their financial system; and assisting governments in their effort to plug leaks in their "financial plumbing" through the development of improved financial processes and systems.

Treasury's approach to technical assistance and its role in the interagency effort have certain defining features. One important feature is that Treasury, unlike many other agencies, has a standing, specialized technical assistance program, funded in large part by the Treasury International Affairs Technical Assistance component of the 150 Account appropriation. As Deputy Assistant Secretary for Technical Assistance Policy, I oversee a program that currently fields approximately 140 advisors in some 70 countries around the world. Many of these experts are long-term, resident advisors. Treasury's experience suggests that, while short-term

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- Ensuring global compliance with these international standards;
- Addressing terrorist financing mechanisms of particular concern;
- Facilitating international information sharing; and
- Facilitating outreach and cooperation with the private sector and the international financial community.

Providing technical assistance and training is a critical element of the third aim of this strategy. In 2004, the Congress and the Administration established the Office of Terrorism and Financial Intelligence (TFI) as a central pillar within Treasury to formulate and coordinate the Department's counter-terrorist financing and anti-money laundering (AML) efforts, which include working with the interagency community to advance each of the strategic aims identified above.

assistance can be effective, the presence of a resident advisor can be critical to strengthening capacity and affecting change in certain environments.

A second defining feature of Treasury's program is our emphasis on the benefits of, and our ability to deliver, an integrated financial assistance package, utilizing experts from a number of OTA's five core disciplines. This is particularly important for Treasury's efforts in the financial enforcement area. As I will discuss further below, reducing a country's vulnerability to terrorist financing may require addressing weaknesses in the banking system, strengthening the monitoring and investigative capacity of tax authorities, and establishing wholly new institutions such as financial intelligence units.

Financial Enforcement and Combating Terrorist Financing Post 9/11

Financial enforcement includes initiatives specifically intended to combat the financing of terrorism – the focus of today's hearing – but also encompasses a broad array of financial crimes, such as money laundering, white-collar crime, and corruption in the management of public finances. One of the lessons of the post 9/11 era is that there can be overlap between terrorist financing and financial crimes more broadly, and that a comprehensive approach is needed to eliminate financial safe havens for terrorists throughout the world.

Since the 9/11 terrorist attacks Treasury OTA has sought to strengthen its financial enforcement program. Indeed, we have made this OTA's highest priority. Over the last four years the enforcement program has grown substantially. Currently, it has advisors in 43 countries in the Greater Middle East, Asia, Latin America, Sub-Saharan Africa, Central and Eastern Europe and the Former Soviet Union.

The strengthening of our program was made possible by the financial support of Congress and the patriotic response of former government officials. In response to 9/11, Congress enacted the 2001 Emergency Supplemental Appropriations Act. Pursuant to that authority, the Office of Management and Budget released the first tranche from the President's emergency response fund on September 24, 2001. Of these funds, $3 million was made available in December 2001 to OTA for technical assistance in anti-money laundering/countering the financing of terrorism (AML/CFT). In parallel, immediately after September 11, Treasury was inundated with resumes from recently retired federal law enforcement officers and federal prosecutors asking simply, "What can I do to help?" Their commitment has allowed Treasury to reinforce its ranks via personal services contracts and establish a cadre of over sixty financial experts with extensive backgrounds in investigating and prosecuting financial crimes totaling nearly 1,000 years of senior level USG experience.

The appropriateness of using "contractors" for technical assistance in combating terrorist financing and financial crimes is an issue that has arisen in the GAO review. There are pros and cons to using contractors. In my view it is important to understand who these contractors are. OTA Financial Enforcement Advisors, retained under personal services contract, include:

- retired Assistant U.S. Attorneys who have worked in U.S. Attorneys Offices in various U.S. cities, and attorneys who worked in the Department of Justice, specializing in white-collar and organized crime, money laundering, financial and other major crimes;

- former agents from the Criminal Investigation Division of IRS with experience in the investigation of complex financial crimes including money laundering, financial fraud, terrorist financing, tax fraud/evasion, and the inspection and oversight of money service businesses;
- retired agents from the FBI with experience in the investigation of financial crimes and public corruption, and in the training of law enforcement officers;
- former regulators and examiners from the Federal Reserve, the FDIC, and the OCC with expertise in the examination, audit and regulation of financial institutions; and
- former agents of the U.S. Customs Service, the Immigration and Naturalization Service, the Financial Crimes Enforcement Network, and the Drug Enforcement Administration.

These experts are the backbone of OTA's assistance program in areas directly and indirectly related to combating terrorist financing. I have personally met many of these "contractors," and I can assure you there is no finer, more qualified, or more trustworthy group of men and women to complement the limited number of permanent USG officials available to address the enormous need for training and technical assistance, including training, in this area.

Work on the Ground

My colleague from the State Department has described the interagency process for identifying priority countries, assessing their needs, and coordinating the provision of training and technical assistance. I will focus on noting some examples of assistance that Treasury has provided in order to illustrate the range of countries where we have been active and, in particular, the kinds of assistance we deliver. Examples are drawn from both the period prior to the creation of the interagency coordination group, and following its creation. A common element from both periods is that assistance has been needed in many areas resulting in the involvement of various agencies reflecting their particular mandate and expertise. The purpose of creating an interagency process, as my colleague has noted, was to try to ensure that limited resources were focused on those governments with the greatest needs and strategic importance, and to ensure that coordination was as systematic and efficient as possible.

Prior to the implementation of the interagency coordination process, OTA deployed Financial Enforcement teams to the following countries:

- Afghanistan, to place a resident advisor to help ensure that international donor funds were used for development purposes and not "leaked" to warlords or any remaining terrorist elements.
- Azerbaijan, to incorporate AML/CFT provisions in work that was being done on criminal tax enhancements.
- Ukraine, to strengthen that country's compliance systems, after Ukraine was designated a Financial Action Task Force (FATF) Non-Cooperating Country.
- Thailand, to support the work of an OTA resident advisor already assigned to the Anti-Money Laundering Office there.
- Uganda and Tanzania, to provide training and mentoring on financial crimes investigations and to assist in the development of a comprehensive AML/CFT law.

- Senegal, to work with the West Africa Economic and Monetary Union on harmonization of AML/CFT laws and regulations among its francophone member states.
- Bangladesh, to assist the OTA Banking and Financial Services advisor to the Central Bank with banking sector compliance on anti-money laundering.
- Colombia, to integrate counter terrorist financing concerns with the anti-narcotics-based money laundering work in cooperation with IRS-Criminal Investigative Division.
- The countries of the Eastern Caribbean, to develop a regional approach for the many non-compliant island nations to meet FATF standards.

Since the creation of a formal interagency coordination process, OTA's engagement has continued apace, complementing assistance provided by other agencies. A critical part of the formal interagency coordination process has been the designation of priority countries. Because this designation of priority countries is classified, I cannot share their names with you here but would do so in a closed session.

- In Eastern Europe, an OTA advisor identified financial information related to a terrorist named on a UN list. The courts later released these assets due to lack of legal authority. OTA then requested and funded the travel of a Department of Justice attorney, who had already been working with that country on the passage of their AML law, to assist this government in drafting an asset forfeiture law that now effectively eliminates the loophole that allowed terrorists to shelter assets. This is one example of a success story on interagency coordination.

- In one African country, OTA has been providing an information technology expert to help build the capacity of that nation's Non-Government Organization (NGO) Bureau in registering and monitoring the enormous community of NGOs and public charities there.

- In one Asian country, we are providing two resident advisors, one to work with the country's financial intelligence unit on law enforcement issues, and the other to work within the Southeast Asia region on a multilateral basis with the Asian Development Bank. The work with the financial intelligence unit resulted in that country adopting a cross-border cash reporting mechanism consistent with FATF Special Recommendation Number Nine on Cash Couriers.

- In one South American country, we are providing a resident advisor to work on developing the financial intelligence unit and strengthening the law enforcement entities responsible for AML/CFT issues. We are working with DHS/Immigration and Customs Enforcement in the implementation of a Trade Transparency Unit to monitor trade flows to detect money laundering. The work in this country was praised by the GAO in its review as a model of interagency cooperation.

- In one South Asian country, we are providing a resident advisor to work with the central bank in the development of a financial intelligence unit. This is one of the highest priority engagements for the USG and the work should curb a major flow of terrorist financing.

- In one North African/Middle East country, we are providing a resident advisor to work with the development of a financial intelligence unit that will be part of a regional approach to AML/CFT. This regional approach should result in a superior information sharing mechanism in a critical part of the world.

The work done by OTA Financial Enforcement advisors, and others, has produced results. Eight of the countries identified by the FATF as Non-Cooperative Countries and Territories (NCCT), and which were then provided OTA technical assistance, have been removed from the FATF "blacklist," some within just one year of receiving assistance.

In addition to those eight NCCT countries, OTA resident advisors have assisted in creating fully functioning financial intelligence units in four other countries where no formal systems had existed prior to Treasury engagement. These twelve countries, exclusive of the Eastern Caribbean Nations, include Peru, Paraguay, Serbia and Montenegro, Albania, Bulgaria, Poland, Russia, Ukraine, Guatemala, Philippines, Georgia, and Romania. Requests for work on new financial intelligence unit projects have come from many countries, including: Afghanistan, Sri Lanka, Jordan, Zambia, Tanzania, Malawi, Senegal, Armenia, and Kyrgyzstan.

Treasury is actively involved in providing training in financial investigative techniques. Our courses address all of the FATF 40 recommendations and the Special 9 recommendations on Terrorist Financing. Work is on-going to create additional training courses to meet requests in the areas of gaming, insurance, and securities. The number of requests for such courses has been, frankly, staggering. Treasury has created four training teams to begin to respond to demand.

While Treasury and other agencies have enjoyed success in our efforts to provide results-oriented technical assistance, we must acknowledge that technical assistance is only as effective as the political will of the recipient country. Inevitably, there are cases where progress has not occurred or been frustratingly slow. Bills that provide for a fully compliant AML/CFT law in two African countries are languishing in their parliaments. A South American country has been slow to enact its anti-terrorism financing law. Corruption in other countries causes lax enforcement and oversight by regulatory entities. And cultural hurdles, particularly dealing with the informal financial sectors, can make compliance very difficult. This underscores the need for strong interagency coordination. Speaking with one voice makes for a more powerful message.

In the spirit of enhanced coordination, OTA is sponsoring a Regional Coordination Meeting in April with representatives from other agencies invited to discuss on-going projects, best practices, vulnerabilities, and agency capacities. Treasury expects that these efforts will lead to the development of regional perspectives on financial crimes that will identify patterns of illegal activity that can ultimately be disrupted.

New technology offers unique challenges. For example, the stored value chips in cellular telephones currently being used throughout Asia present a vulnerability just now being addressed by the international community. Addressing such challenges will require the cooperation of many USG agencies and indeed the international community.

Conclusion

Chairwoman Kelly, Congressman Gutierrez, members of the Committee, the GAO report provided us with an opportunity to reflect upon our efforts over the past several years and to consider what has worked well and what needs improving. In the time that I have been in my position I have seen that steps have been taken to strengthen the interagency process. I agree with my colleagues on the panel that key to our continued success in tackling terrorism finance is strong, effective U.S. interagency coordination. I assure you that OTA and the rest of the USG community are committed to work together toward that goal.

Thank you and I look forward to answering any questions that the Committee may have.

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Department of Justice

STATEMENT

OF

BARRY M. SABIN
ACTING DEPUTY ASSISTANT ATTORNEY GENERAL,
CRIMINAL DIVISION
UNITED STATES DEPARTMENT OF JUSTICE

BEFORE THE

COMMITTEE ON FINANCIAL SERVICES
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATION
UNITED STATES HOUSE OF REPRESENTATIVES

CONCERNING

"COUNTER-TERRORISM FINANCING FOREIGN TRAINING AND ASSISTANCE: PROGRESS SINCE 9/11"

PRESENTED ON

APRIL 6, 2006

Testimony of Barry Sabin
Acting Deputy Assistant Attorney General,
Criminal Division, United States Department of Justice
Before the
House Committee on Financial Services
Subcommittee on Oversight and Investigation
April 6, 2006

Chairwoman Kelly, Congressman Frank, and Congressman Gutierrez, distinguished members of the Subcommittee:

Introduction

I appreciate the opportunity to discuss the issue of the Government Accountability Office's GAO Report on Terrorist Financing dated October 2005, and the Department of Justice's successful involvement in this cooperative effort to provide counter-terrorism financing training and technical assistance abroad. The Department of Justice plays a critical role in the delivery of training and technical assistance to our international partners. Justice plays a central role in this arena, in concert with the Departments of State, Treasury, and Homeland Security, even though the Justice Department does not receive direct appropriations from Congress to provide training and technical assistance to combat terrorist financing

abroad.[1] Consequently, we respectfully disagree with the GAO's recommendation that the Departments of State and Treasury enter into a Memorandum of Understanding, without participation of the Department of Justice, to develop a training and technical assistance delivery plan.

Justice and its interagency partners do not believe that such a Memorandum of Understanding is necessary or appropriate. More fundamentally, such a recommendation highlights our basic concern with the GAO Report -- that it overlooks the valuable contribution of the Justice Department, and others, including DHS, in providing legal training and assistance to combat terrorist financing and money laundering around the world. We also provide essential input to the fundamental interagency decision-making process of prioritizing and strategizing the delivery of technical assistance and training. Such input helps ensure that the training and technical assistance plan is consistent with other Department and Administration counterterrorism initiatives. In addition, excluding the Department of Justice would deprive DOJ of one of the critical by-products

[1] *See* GAO Report at p. 5, "Moreover, we continue to believe that the recommendation and Memorandum of Agreement should be directed to the Secretaries of Treasury and State because these agencies both primarily fund and support these efforts."

of technical assistance -- the building of long-term operational relationships -- which are critical to facilitating international cooperation.

It is axiomatic that in providing terrorist financing training and technical assistance to our most vulnerable partners in the war on terror, the United States Government should be represented by its most highly skilled and knowledgeable experts. In 2002, the Administration determined that the Department of Justice should be the agency primarily responsible for training and technical assistance concerning our core areas: legislative drafting and training of prosecutors and judges in priority countries. That directive formed the cornerstone in the strategic planning of training and technical assistance, known as the Terrorist Financing Working Group (TFWG" or "interagency process"). DOJ assistance helps governments that are vulnerable to terrorist threats to draft legislation which criminalizes money laundering and financial and other material support to terrorists. DOJ also provides technical assistance and training to help such governments implement and enforce these laws. DOJ remains firmly committed to interagency efforts to ensure that priority and vulnerable countries receive substantive training and technical assistance from the most qualified experts that the United States Government has to offer.

The Department of Justice's Central Role

Preventing terrorist attacks and protecting our nation is the top priority at the Justice Department. Aggressive investigation and prosecution of terrorist threats and activity, including terrorist financing and all other manner of providing material support to terrorists, is a principal means to achieve this end. The Department of Justice has the lead responsibility for investigation and prosecution of terrorism, including terrorist financing matters. As a result of our ongoing involvement in this rapidly changing area and our commitment to this objective as a first priority, Justice Department lawyers and investigative agents -- both in Washington, D.C. and in the field -- have extensive experience in these areas. The Justice Department has enthusiastically shared the skill and expertise of our attorneys and agents with our international partners in providing terrorist-related technical assistance and training. We believe that investigative and prosecutive assistance is best delivered by the department with the substantive expertise. The Department of Justice delivers approximately half of anti-money laundering/terrorist financing assistance to priority countries, acting either individually or in combination with our partners.

The Department has participated in the TFWG interagency process since its inception. The interagency process provides a forum for candid discussions and strategic planning for delivering appropriate assistance. Consensus is reached in this forum to ensure our international partners receive the guidance necessary for them to build strong counter-terrorist financing regimes. Through this process, the U.S. Government ensures that we take a holistic approach, avoid duplication, and prevent redundant delivery of previously provided assistance.

The Department of Justice's involvement in the interagency process enhances the United States Government's ability to provide anti-money laundering and anti-terrorist financing training and technical assistance to countries around the world. Recipient countries, or first tier priority countries, are so designated based on a number of factors:

- the level of financing or other terrorist support provided within or moved through the country in support of al Qaeda or other terrorist organizations and networks;
- the nature of the anti-money laundering and terrorist financing legislation in force in the country targeted for training and/or

technical assistance in order to better support efforts to investigate and prosecute such activity; and

- the ability of a country's economic system to resist abuse by terrorist financiers.

Based on these factors, and utilizing the interagency process, we identify recipient countries and coordinate the delivery of training and technical assistance. Such countries need, indeed welcome, assistance in combating a terrorist assault on their financial sectors. The Department of Justice, in coordination with the other participants in the interagency process, provides the expertise and seasoned experience needed to draft a legislative framework for recipient countries that enables them to combat terrorist financing. The expertise of Department of Justice prosecutors and investigators assists recipient nations in meeting the severe challenges that are required to investigate and prosecute the sophisticated financial crimes we face throughout the world. The Department provides this assistance in accord with international standards, drawing on experience gained in representing the United States in a variety of venues around the globe, including the Organization of American States and its Counter Terrorism Committee, the G8, the European Union, the United Nations, the Financial

Action Task Force, and others. It is important to note, however, that the delivery of training and technical expertise concerning terrorist financing does not reveal the complete picture. Ensuring that the lessons and assistance provided are both learned and applied by the host countries is fundamental to lasting and comprehensive success.

The Justice Department components that contribute to this process include: the Criminal Division's Asset Forfeiture and Money Laundering Section (AFMLS), the Office of Overseas Prosecutorial Development Assistance and Training (OPDAT), and the Counterterrorism Section (CTS). The Drug Enforcement Administration (DEA) and the Federal Bureau of Investigation (FBI) also lend considerable assistance and support.

OPDAT obtains and disburses funding for the international training and technical assistance provided by the interagency effort. They are instrumental in the planning, staffing and delivery of international training and technical assistance regarding financial crime. AFMLS designs and, with its staff and the assistance of the United States Attorneys around the nation, delivers both training and technical assistance, particularly with respect to the threat of money laundering and asset forfeiture issues. Similarly, in regard to terrorist financing and terrorism generally, CTS

designs and, with its staff and the assistance of the United States Attorneys around the nation, delivers both training and technical assistance. DEA and FBI headquarters and field agents also participate in the design and delivery of both training and technical assistance in connection with financial crimes, including terrorist financing, money laundering and asset forfeiture.

Examples of Effective DOJ Training and Technical Assistance

Expertise, hard work, a profound sense of commitment to this priority area, and the dedication of considerable resources, has enabled DOJ to excel in providing foreign nations with legislative drafting and judicial and prosecutorial training needed to create and enforce a successful anti-terrorist financing regime. We work with a wide variety of countries to this end. Over the past three years, OPDAT has provided targeted technical assistance on money laundering and terrorist financing to 15 countries and has organized 7 regional seminars on terrorist financing, abuse of charitable organizations, and bulk cash smuggling. In addition, OPDAT has placed five Resident Legal Advisors (RLAs) overseas to provide long term assistance to our counterparts in Indonesia, Bangladesh, Kenya, Paraguay, and the United Arab Emirates. Two additional RLAs will go to Turkey and Pakistan this year. RLAs provide continuous and coordinated international

training and assistance in the field to combat terrorist financing and money laundering, among other duties.

Please allow me to share with you some examples, which illustrate the assistance we have rendered in this field and the long term gains it has yielded for the recipient countries and the international community. Our RLA in Paraguay, for example, has been working with the Paraguayan legislators and prosecutors on anti-money laundering and terrorist financing matters. He also worked closely with local prosecutors to develop their expertise in these areas. Armed with these new skills, the Paraguayans were able to pursue a multi-million dollar currency conversion case.

Since 2002, the Department has provided assistance in anti-terrorism financing and anti-money laundering legislative drafting to 138 countries. For example, the Department of Justice assisted the government of Albania in the legislative drafting of a UN Participation Act law to cover those individuals and groups designated under UN Security Council Resolution 1373. The relationship that developed from these successful consultations became the foundation for additional assistance as Albania sought to craft legislation to combat terrorist financing and money laundering as well as provide mechanisms for asset forfeiture. The Department of Justice

subsequently worked with the Albanian government on a case that resulted in the seizure of assets of a designated terrorist under Albania's new laws.

The RLA in Bangladesh, along with a Department attorney and an Assistant U.S. Attorney from Utah, have provided extensive advice on comprehensive amendments to that country's anti-money laundering law to ensure its compliance with international standards, including Financial Action Task Force recommendations. In addition, the RLA provided extensive input to key Bangladeshi officials as they considered signing the United Nations Convention on the Suppression of the Financing of Terrorism. Their involvement was instrumental in Bangladesh becoming a signatory to that UN Convention and the other UN counterterrorism conventions.

Both Indonesia and the Philippines, countries that have suffered numerous terrorist attacks, sought Department of Justice assistance in bolstering their legal infrastructure to combat the threat of terrorism. The Department of Justice responded by sending an RLA to Indonesia in May 2005. His presence and efforts have led to a number of successes, including the establishment of a unit dedicated to the prosecution of terrorism and transnational crimes such as money laundering, cyber crimes, and trafficking

in persons. The RLA also provided legislative drafting advice on mutual legal assistance and anti-money laundering laws. Attorneys from AFMLS have assisted both countries in drafting anti-money laundering and asset forfeiture laws which are the cornerstone of any effective regime to counter terrorist financing. Such assistance was integral in enabling both countries to be removed from the FATF's Non-Cooperative Countries and Territories list.

AFMLS attorneys have also provided similar drafting assistance to South Africa, Kenya and Tanzania. In South Africa, an AFMLS attorney assisted in drafting the law which created the first civil forfeiture system in Africa and testified before the South African Parliament, helping to ensure the law's enactment. In addition, we have provided leadership in several training sessions within South Africa to empower South Africa's National Prosecution Authority with the necessary skills to implement the law effectively and fairly. Similarly, in Kenya, an AFMLS attorney participated in sessions with the country's parliamentarians to sensitize them to the necessity of enacting anti-money laundering and terrorist financing legislation. Kenya and Tanzania now have pending anti-money laundering and terrorist financing bills before their Parliaments.

In each of these countries and many others, the Department of Justice, including the FBI and the DEA, provides support and technical expertise to our international partners in the war against terrorists and their supporters. Regional conferences and workshops are organized, planned, staffed and funded with the direct assistance of the Department of Justice to ensure that the latest best practices are shared. For instance, late last year, the Department, along with the Organization for Security and Cooperation in Europe (OSCE), co-sponsored an Eastern European and Eurasian Regional Conference on combating terrorist financing and safeguarding charities from abuse. Following the conference, the Parliament adopted a new anti-money laundering law that same month.

In December 2004, OPDAT conducted a Southeast Asia Regional program in Thailand on safeguarding charities from abuse by financial criminals. This conference was attended by representatives from Indonesia, Malaysia, Philippines, as well as Thailand. The officials who participated in this conference learned valuable skills that were put to use after the devastating tsunami to monitor and regulate organizations which offered assistance.

As I mentioned previously, DEA and FBI also provide extensive anti-

terrorist financing and money laundering training to our partners abroad. With the assistance of State Department funding, the International Training Section of the DEA conducts its International Asset Forfeiture and Money Laundering courses in concert with the Department of Justice. In 2005, hundreds of participants from Hong Kong, Macau, Jordan, Japan, India, Israel, and Italy received this training. A wide range of DEA international courses contain training elements related to countering money laundering and other financial crimes.

The DEA training division also delivers training at the International Law Enforcement Academies (ILEA) in Bangkok, Budapest, Gaborone, and San Salvador, supported by other U.S. law enforcement agencies. ILEA Bangkok has offered specialized courses on money laundering/terrorist financing-related topics such as Computer Crime Investigations (presented by FBI and DHS/U.S. Immigration and Customs Enforcement (ICE), and Complex Financial Investigations (presented by IRS, DHS/ICE, FBI and DEA)). Similarly, in 2005, the FBI delivered terrorist financing and money laundering training to 39 students from 19 Latin American countries through the Latin American Law Enforcement Executive Development Seminar conducted at the FBI Academy.

The Way Forward

The Department is proud of its role in equipping other countries with the legal tools necessary to combat terrorist financing and money laundering, but we realize there remains work to be done. We believe that the successes outlined above can serve as a model for the Department of Justice to continue to provide valuable assistance and training in combating the financial underpinnings of terrorist networks around the world.

By concluding that Justice is not a primary contributor in this arena, the GAO is overlooking the critical role the Department plays in providing training and technical assistance to priority nations. We therefore respectfully disagree with GAO's recommendation that State and Treasury alone should enter into a Memorandum of Understanding governing the interagency provision of anti-money laundering and terrorist financing training and technical assistance because these agencies both primarily fund and support these efforts. The State Department and the Treasury Department provide the funds that underwrite Justice's delivery of the required training and technical assistance, and we recognize the crucial importance of this funding. But funding alone, without the necessary, up-to-date expertise and experience will not fulfill the United States' objectives in

this area. The Justice Department provides significant substantive and practical assistance to these efforts, and therefore should have a voice as to where these efforts are to be directed and how the training and assistance is to be provided.

Removing the Department of Justice from its central steering role in the interagency process may exclude Justice from the strategy development, decision-making and implementation process. The Justice Department, with its technical expertise, commitment of manpower, and strong international ties to its foreign counterparts, has a large stake in the interagency process and in providing training and technical assistance to foreign nations. Accordingly, we should be among the agencies coordinating such training and technical assistance.

Conclusion

Thank you for providing me the opportunity to discuss these important issues with you today. The Department of Justice looks forward to our continued role in the interagency process to develop and deliver effective anti-money laundering and counterterrorism financing training and technical assistance and to benefit from the good will, personal relationships, understanding of our international partners, and tangible operational benefits

that result from our crucial role in providing that assistance. We are committed to working with our peer agencies to develop a comprehensive and integrated training and technical assistance program abroad. We each have our areas of expertise, and we believe that a unified yet delineated approach to the global problem of terrorist financing will result in success that is effective and enduring.

United States Government Accountability Office

GAO

Testimony

Before the Committee on Financial Services, Subcommittee on Oversight and Investigations, House of Representatives

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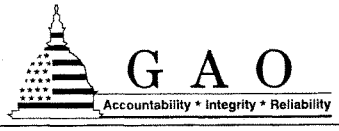
TERRORIST FINANCING

Agencies Can Improve Efforts to Deliver Counter-Terrorism-Financing Training and Technical Assistance Abroad

Statement of the Honorable David M. Walker
Comptroller General of the United States



GAO-06-632T

April 5, 2006

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Highlights

Highlights of GAO-06-632T, a testimony to the Subcommittee on Oversight and Investigations, Committee on Financial Services, House of Representatives

TERRORIST FINANCING

Agencies Can Improve Efforts to Deliver Counter-Terrorism-Financing Training and Technical Assistance Abroad

Why GAO Did This Study

Disrupting terrorists' financing is necessary to impede their ability to organize, recruit, train, and equip adherents. U.S. efforts to strengthen domestic and global security include, among others, the provision of training and technical assistance in countering terrorist financing abroad. An interagency Terrorist Financing Working Group (TFWG), chaired by the U.S. Department of State (State), coordinates the delivery of this training and technical assistance to "priority" countries—those considered most vulnerable to terrorist financing schemes—as well as to other vulnerable countries. In addition, the Department of the Treasury (Treasury) Office of Foreign Assets Control (OFAC) leads U.S. efforts to block access to designated terrorists' assets that are subject to U.S. jurisdiction.

In response to multiple congressional requesters, GAO examined U.S. efforts to combat terrorist financing abroad, publishing the report in October 2005. In this testimony, GAO discusses the report's findings about challenges related to (1) TFWG's coordination of the counter-terrorism-financing training and technical assistance abroad and (2) Treasury's measurement of results and provision of information needed to assess OFAC's efforts to block terrorist assets.

www.gao.gov/cgi-bin/getrpt?GAO-06-632T

To view the full product, including the scope and methodology, click on the link above. For more information, contact Loren Yager at 202-512-4347 or yagerl@gao.gov.

What GAO Found

Under State's leadership, TFWG has coordinated the interagency delivery of counter-terrorism-financing training and technical assistance—for example, providing training and placing resident advisors—in more than 20 priority countries as well as other vulnerable countries. However, TFWG's effort has been hampered by the absence of a strategic and integrated plan. GAO found that the effort lacks three elements that are critical to strategic planning for operations within and across agencies:

- Key stakeholder acceptance of roles and practices
- Strategic alignment of resources with countries' needs and risks
- A process to measurement the effort's results

For example, two key TFWG stakeholders, State and Treasury, disagree about the extent of State's leadership as chair of TFWG. GAO recommended that State and Treasury, with other government agencies, implement an integrated strategic plan that addresses these challenges and sign a Memorandum of Agreement to improve coordination of counter-terrorism-financing training and technical assistance abroad. State and Treasury responded that they are taking several steps to improve the interagency process, but they did not address all of GAO's recommendations.

OFAC undertakes a number of efforts related to the blocking of terrorists' assets. For example, OFAC compiles evidence as a basis for designating terrorist groups and individuals. However, GAO found limitations regarding Treasury's measurement of results and provision of information about OFAC's efforts.

- **Inadequate measures.** At the time of GAO's review, Treasury lacked adequate measures to assess the results of OFAC's efforts. OFAC was in the process of developing new measures, which it recently completed. Although GAO has not reviewed them, these measures may enable officials overseeing OFAC to ascertain the strengths and weaknesses of its efforts as well as hold OFAC managers accountable. GAO recommended that, in addition, Treasury develop an OFAC-specific strategic plan that describes, among other things, how its performance measures relate to general program goals and objectives. As of March 30, Treasury had not yet finalized the strategic plan.
- **Insufficient information.** Treasury's yearly report to Congress on terrorist assets blocked does not provide sufficient information for Congress to assess OFAC's progress. For instance, the report shows the total dollar value of blocked terrorist assets held under U.S. jurisdictions but does not show changes from amounts of assets blocked in previous years. GAO recommended that Treasury provide information on such changes, along with other key performance metrics, in its annual Terrorist Assets Report. Treasury responded that it would discuss with Congress recrafting the report to address congressional interests.

Madame Chairwoman and Members of the Subcommittee:

Thank you for inviting me here today to discuss GAO's findings on certain U.S. government counter-terrorism-financing efforts as well as various recommendations we have made for improving the management and oversight of these efforts. We appreciate the opportunity to contribute to the record that this panel has created on the subject. Madame Chairwoman, we also recognize and appreciate your consistent attention to issues related to the financing of terrorism. For example, you cofounded the bipartisan Congressional Anti-Terrorist Financing Task Force in 2004 to bolster efforts to shut down terrorist funding networks. You also coauthored recent legislation to create a certification regime, led by the Department of the Treasury, that would annually report to Congress the efforts of other countries to combat terror funding and would impose sanctions on countries that fail to perform up to standard. Thank you for your leadership in this area.

As you have stated on prior occasions, Madame Chairwoman, disrupting terrorist financing can raise terrorists' costs and risks of gathering and moving assets and is necessary to impede their ability to carry out significant operations. The United Nations (UN) reports that more than ever before, security threats are interrelated; a threat to one country can be a threat to all, and no country by its efforts alone can make itself invulnerable. It is in every country's interest, accordingly, to cooperate both internally and with other countries in addressing threat priorities.

In GAO's October 2005 report on U.S. efforts to counter terrorist financing abroad, we noted that the United States plays an active and ongoing role in building international support for measures to combat terrorist financing.[1] For example, the U.S. government has participated in efforts to develop and implement international standards to combat terrorist financing, sometimes leading these efforts. The United States also conducts various intelligence and law enforcement activities designed to identify and disrupt the flow of terrorist financing abroad. These activities include, among others, gathering intelligence and sharing information with other countries.

[1]See GAO, *Terrorist Financing: Better Strategic Planning Needed to Coordinate U.S. Efforts to Deliver Counter-Terrorism Financing Training and Technical Assistance Abroad*, GAO-06-19 (Washington, D.C.: October 24, 2005).

Further, the United States provides training and technical assistance to help countries that are vulnerable to terrorist financing establish effective counter-terrorism-financing regimes. To coordinate the delivery of this training and assistance to about two dozen "priority countries"—those considered most vulnerable—as well as to other vulnerable countries, the National Security Council (NSC) established the interagency Terrorist Finance Working Group (TFWG), whose members include, among others, the Department of State (State), which chairs the group; the Treasury; and the Department of Justice (Justice).

In addition, the United States has participated in global efforts to publicly designate individuals and groups as terrorists and to block access to their assets. U.S. officials have worked with members of the UN to develop and support UN Security Council resolutions to freeze the assets of designated individuals or groups that conduct or facilitate terrorist acts. The United States successfully participated in bilateral efforts with Saudi Arabia and jointly designated more than a dozen Saudi-related entities and multiple individuals as terrorists or terrorist supporters. Officials of the Department of the Treasury (Treasury) have stated that public designations discourage further financial support and encourage other governments to more effectively monitor the activities of the designated individuals or groups. Treasury's Office of Foreign Assets Control (OFAC) serves as the lead U.S. agency for blocking the assets of terrorists designated by the United States unilaterally or bilaterally or as a result of UN Security Council Resolutions.

As our October 2005 report showed, much has been accomplished. However, our report also noted various challenges that could negatively affect the results of some of these efforts as well as U.S. agencies'—and Congress's—accountability for, and oversight of, these efforts. Today, as requested, I will discuss our report's findings and recommendations regarding challenges related to

- TFWG's efforts to coordinate interagency delivery of counter-terrorism-financing training and technical assistance abroad and
- Treasury's use of performance measures and provision of information necessary to assess OFAC's efforts to block terrorist assets.

In discussing these challenges, I will address the need for more strategic and integrated planning that focuses on achieving results in connection with U.S. counter-terrorism-financing activities rather than on the activities themselves. Such planning should include a risk management

element—a systematic process for assessing threats and taking appropriate steps to deal with them.

GAO's mission is to help Congress improve the performance and ensure the accountability of the federal government for the benefit of the American people. We have been actively involved in improving the federal government's performance in the critically important area of homeland security, including providing numerous products related to counter-terrorism financing. We have also been privileged to actively support Congress and the 9/11 Commission by providing details about key personnel, testifying before Congress and the 9/11 Commission, and sharing our research, products, and experiences. In addition, GAO is an active member of the International Organization of Supreme Audit Institutions (INTOSAI),[2] a professional organization of national supreme audit institutions that provides its members opportunities to share knowledge and experiences about the challenges in today's global environment, to ensure that government auditing continuously progresses with new developments. GAO also serves on an INTOSAI task force on international anti-money laundering that aims to design and promote policies, strategies, and actions to enable INTOSAI members to strengthen their anti-money laundering capabilities.

In preparing our October 2005 report, we examined documentation and interviewed officials from State, Treasury, Justice, and the Departments of Homeland Security and Defense as well as from the intelligence community. We also assessed information from the UN, Financial Action Task Force (FATF) on Money Laundering, World Bank, and International Monetary Fund (IMF). We conducted field work in Pakistan, Indonesia, and Paraguay, where we assessed information from government, law enforcement, nongovernmental organizations, regional organizations, and donor government officials as well as from U.S. embassy officials. We performed our work for the report from April 2004 to July 2005. In addition, for this testimony, we obtained information in March 2006 from State and Treasury on their actions to implement our recommendations. All work was conducted in accordance with generally accepted government auditing standards.

[2]INTOSAI has more than 180 members consisting of supreme audit institutions from countries that belong to the UN or its specialized agencies.

Summary

Although the U.S. government provides a range of training and technical assistance to countries it deems vulnerable to terrorist financing, it does not have a strategic and integrated plan to coordinate the delivery of this assistance. The training and technical assistance coordinated by TFWG include, among other activities, training courses and the placement of intermittent or long-term resident advisors. However, we found that the interagency effort lacks three elements that GAO has previously identified as critical to effective strategic planning for operations within and across agencies: key stakeholder acceptance of roles and procedures, a strategic alignment of resources with needs and risks, and a process to measure results.[3]

- **Key stakeholder acceptance of roles and procedures.** State and Treasury disagree about roles and procedures related to the delivery of counter-terrorism-financing training and technical assistance. Among these disagreements, Treasury does not accept State's assertion of leadership over the delivery of all U.S. counter-terrorism-financing training and technical assistance to vulnerable countries and criticizes the range of control that State exerts as chair of TFWG. Consequently, the overall effort lacks effective leadership, resulting in less than optimal delivery of training and technical assistance. For example, in May 2005, State denied a Treasury official entry into a priority country to help set up a financial intelligence unit (FIU)[4] at the central bank minister's request. State officials told us that because the country had been designated as a priority country after Treasury began preliminary work there, State wanted to conduct a TFWG assessment before allowing Treasury to continue its work.[5] At the U.S. Embassy's request, State delayed the assessment and Treasury's work proceeded, but the Treasury official's entry into the country was delayed several months.

[3]See GAO, *Executive Guide: Effectively Implementing the Government Performance and Results Act*, GAO/GGD-96-118 (Washington, D.C.: June 1996). Also see GAO, *Electronic Government: Potential Exists for Enhancing Collaboration on Four Initiatives*, GAO-04-6, pages 17-21 (Washington, D.C.: Oct. 10, 2003) for a discussion of key practices for interagency collaboration.

[4]A financial intelligence unit is a central, national agency responsible for receiving, analyzing, and disseminating financial information concerning suspected proceeds of crime or required by national regulation in order to counter money laundering. Treasury's Financial Crimes Enforcement Network (FinCEN) is the FIU for the United States.

[5]A TFWG assessment includes meetings with host government financial regulatory agencies, the judiciary, law enforcement agencies, the private financial services sector, and nongovernmental organizations. TFWG assessment teams are, like TFWG, led by State and comprise technical experts from each of TFWG's member departments and agencies.

- **Strategic alignment of resources with needs.** The U.S. government, including TFWG, has not systematically assessed the allocation of its resources for counter-terrorism-financing training and technical assistance. For example, the government has no clear record of the funding that key agencies allocate for the training and assistance and has not systematically assessed the availability and suitability of the agencies' human capital resources or of international resources. As a result, government decision-makers are limited in their ability to strategically align available resources with the needs and relative risks of priority countries and other vulnerable countries.

- **Performance measurement process.** The U.S. government, including TFWG, has not established a system to measure the results of its counter-terrorism-financing training and technical assistance. In addition, a database that Justice created in November 2004 to track the results of training and assistance delivered to priority countries was, as of July 2005, not yet functional. As a result, the government is unable to systematically consider the past performance of these efforts when strategizing for the future.

In our October 2005 report, we recommended that the Secretaries of State and the Treasury, in consultation with the NSC and other government agencies, implement an integrated strategic plan and sign a Memorandum of Agreement to improve coordination of counter-terrorism-financing training and technical assistance. In their March 2006 letters to Congress regarding their responses to our recommendations, State and Treasury describe, in general terms, steps they are taking to improve the interagency process—for example, working with one another and with other TFWG members to review and revise TFWG procedures—that may provide a basis for improving stakeholder acceptance of roles and procedures. However, the letters do not provide any information regarding steps to systematically assess or align U.S. resources with country needs or to measure results of the training and technical assistance, and they do not address our recommendation of a Memorandum of Agreement.

Treasury's OFAC undertakes a number of activities as part of its terrorist asset blocking efforts. We found in October 2005, however, that Treasury lacked meaningful performance measures and that sufficient information was not available for Congress and decision-makers to assess the results of these efforts. Although Treasury had developed some limited performance measures, OFAC officials acknowledged that these measures were not specific to terrorist financing, were not designed to show progress, and did not track related activities and results. The officials

reported that they were in the process of developing more meaningful performance measures as well as an OFAC-specific strategic plan. In addition, OFAC's annual Terrorist Assets Report to Congress regarding the nature and extent of terrorists' U.S. assets does not provide the information needed to assess results that have been achieved. Although it shows the amount of assets blocked each year, it does not show changes from amounts of assets blocked in previous years or explain such changes. We noted in our report that this information, along with other key performance metrics, could help Congress assess results related to OFAC's asset blocking efforts. We recommended that Treasury complete its efforts to develop an OFAC-specific strategic plan and performance measures and that the annual Terrorist Assets Report include more complete information about blocked assets. OFAC officials told us in March 2006 that OFAC had developed new performance measures to assess its role in administering and enforcing economic sanctions against terrorists; however, we have not reviewed the new measures. According to OFAC officials, its strategic plan has not yet been finalized. In its March 2006 letter, Treasury reported that it would work with Congress to discuss recrafting the Terrorist Assets Report to address congressional interests.

Background

The financing of terrorism is the financial support, in any form, of terrorism or of those who encourage, plan, or engage in it.[6] Terrorist financing may derive from licit activities, such as fundraising by charities, or from illicit activities, such as selling counterfeit goods, contraband cigarettes, and illegal drugs.[7] Disguising the source of terrorist financing, whether licit or illicit, is important to terrorist financiers: if the source can be concealed, it remains available for future terrorist financing activities. Some international experts on money laundering find that there is little difference in the methods used by criminal organizations or terrorist

[6]World Bank and International Monetary Fund, *Reference Guide to Anti-Money Laundering and Combating of Financing of Terrorism*, (2003). As noted in the guide, the formal definition of terrorist financing is provided in the United Nations International Convention for the Suppression for the Financing of Terrorism (1999). However, a universally accepted definition for "terrorism" has not been established owing to significant political and national implications that differ from country to country. The UN continues to work to gain worldwide consensus on the definition of terrorism.

[7]See GAO, *Terrorist Financing: U.S. Agencies Should Systematically Assess Terrorists' Use of Alternative Financing Mechanisms*, GAO-04-163 (Washington, D.C.: Nov. 14, 2003).

groups to conceal their proceeds by moving them through national and international financial systems.[8]

FATF, an intergovernmental body, sets internationally recognized standards for developing anti-money laundering and counter-terrorism-financing regimes and assesses countries' abilities to meet these standards. To strengthen anti-money-laundering and counter-terrorism-financing worldwide, international entities such as the UN, FATF, World Bank, and IMF, as well as the U.S. government, agree that each country should implement practices and adopt laws that are consistent with international standards.[9] The U.S. government has worked with international donors and organizations—for example, the United Kingdom, Australia, Japan, the European Union, FATF, UN, the Organization of American States, the Asian Development Bank, IMF, and the World Bank—to build counter-terrorism-financing regimes in vulnerable countries.

U.S. offices and bureaus—primarily within the Departments of State, the Treasury, Justice, and Homeland Security—and the federal financial regulators[10] provide training and technical assistance, chiefly funded by State and Treasury, to countries deemed vulnerable to terrorist financing. One of TFWG's functions is to prioritize the delivery of such assistance to countries that it deems most vulnerable. To identify priority countries, TFWG considers intelligence community analysis of countries' vulnerabilities to terrorist financing, importance to U.S. security, and capacity to absorb U.S. assistance. NSC guidance for TFWG states that delivery of assistance to other vulnerable countries—that is, those that have not been designated as priority—may proceed so long as it is possible without adversely affecting the delivery of assistance to priority countries. Other vulnerable countries receive counter-terrorism-financing training and technical assistance through other U.S. government programs as well as through TFWG. (See app. 1 for TFWG membership and process.)

[8]These experts define money laundering as the processing of criminal proceeds to disguise their illegal origin in order to legitimize ill-gotten gains.

[9]International standards are represented by the UN International Convention for the Suppression of the Financing of Terrorism and by FATF's 40 recommendations on money laundering and nine special recommendations on terrorist financing.

[10]These federal regulators are the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency.

U.S. Government Lacks an Integrated Strategy to Coordinate the Delivery of Training and Technical Assistance

Although the U.S. government provides a range of training and technical assistance to countries it deems vulnerable to terrorist financing, it lacks an integrated strategy to coordinate the delivery of this assistance. Specifically, the effort lacks key stakeholder acceptance of roles and practices, a strategic alignment of resources with needs, and a process to measure results—three elements that previous GAO work has identified as critical to effective strategic planning within and across agencies. GAO recommended that the Secretaries of State and the Treasury implement an integrated strategic plan and a Memorandum of Agreement for the delivery of training and technical assistance. According to March 2006 correspondence from State and Treasury, the departments have taken several steps to enhance interagency coordination.

U.S. Agencies Provide Wide Range of Training and Technical Assistance

The training and technical assistance that U.S. agencies provide to vulnerable countries are intended to help the countries develop the five elements that, according to State, are needed for an effective anti-money-laundering and counter-terrorism-financing regime: a legal framework, a financial regulatory system, an FIU, law enforcement capabilities, and judicial and prosecutorial processes. The training and assistance are offered through courses, presentations at international conferences, the use of overseas regional U.S. law enforcement academies or U.S.-based schools, and the placement of intermittent or long-term resident advisors.[11] According to State officials, at the time of our review, TFWG had coordinated the delivery of training and technical assistance in at least one of these five elements to more than 20 priority countries.

Key Stakeholders Disagree about Roles and Procedures

U.S. agencies involved in providing counter-terrorism-financing training and technical assistance disagree both about agencies' roles relating to the coordination of the training and assistance efforts and about training and assistance procedures and practices. Consequently, the overall effort lacks

[11]See GAO-06-19, appendix IV, for key U.S. counter-terrorism-financing and anti-money-laundering training and assistance for vulnerable countries by U.S. agency and financial regulators.

effective leadership, resulting in less than optimal delivery of training and technical assistance to vulnerable countries.[12]

State and Treasury disagree regarding State's role in coordinating the training and technical assistance. According to State, its Office of the Coordinator for Counterterrorism is charged with directing, managing, and coordinating all U.S. agencies' efforts to develop and provide counter-terrorism financing programs, including, but not limited to, those in priority countries. Treasury, a key stakeholder, asserts that there are numerous other efforts outside States' purview and that State's role is limited to coordinating, as chair of TFWG, the provision of such assistance in priority countries.[13] In addition, senior Treasury officials told us that they strongly disagree with the degree of control State asserts over TFWG decisions and said that State creates obstacles rather than coordinating efforts. Officials from Justice, which provides training and technical assistance[14] and receives funding from State, told us that they respect State's role as the TFWG chair and coordinator and said that all counter-terrorism-financing training and technical assistance efforts should be brought under the TFWG decision-making process. While supportive of State's position, Justice's statement demonstrates that State's role lacks clear definition and recognition in practice.

In addition, State and Treasury officials disagree about procedures and practices for delivering the training and technical assistance. State cited NSC guidance and an unclassified State document focusing on TFWG as providing procedures and practices for delivering training and technical assistance to all countries. Treasury officials told us that the procedures and practices defined by NSC were pertinent only to the TFWG priority

[12]We have previously found that building a collaborative management structure across participating organizations is an essential foundation for ensuring effective collaboration and that strong leadership is critical to the success of intergovernmental initiatives. [For a discussion of practices essential to interagency collaboration, see GAO, *Electronic Government: Potential Exists for Enhancing Collaboration on Four Initiatives*, GAO-04-6 (Washington, D.C.: Oct. 10, 2003): 17-21.] Moreover, involvement by leaders from all levels is important for maintaining commitment.

[13]For example, according to Treasury officials, the agency has developed numerous counter-terrorism-financing programs to advance the core strategic aims identified in the 2003 National Money Laundering Strategy. The officials said that these programs are not under TFWG's, and therefore State's, purview.

[14]According to Justice, a high-level interdepartmental decision has assigned Justice the lead among U.S. agencies in drafting foreign criminal laws, reviewing the legal sufficiency of such laws, and providing prosecutorial training and development for the TFWG countries.

countries and that TFWG has no formal mandate or process to provide technical assistance to non-priority countries. Moreover, Justice officials indicated that differences in the procedures and practices for delivering training and technical assistance to priority countries versus those for other vulnerable countries had created problems.

State and Treasury officials cited numerous examples of their disagreements on procedures and practices. For example:

- According to Treasury officials, funding provided by Treasury's Office of Technical Assistance (OTA) should primarily support intermittent and long-term resident advisors, who are U.S. contractors.[15] According to State officials, OTA should instead supplement State's funding for counter-terrorism-financing training and technical assistance, which primarily funds current employees of other U.S. agencies.

- According to OTA officials, their contractors provide assistance in drafting counter-terrorism-financing and anti-money-laundering laws in non-priority countries and OTA provides the drafts to Justice and other U.S. agencies for review and comment. State officials cited NSC guidance that current Justice employees should be primarily responsible for working with foreign countries to assist in drafting counter-terrorism-financing and anti-money-laundering laws and voiced strong resistance to use of contractors. Justice cited two examples in which contractors' work resulted in laws that did not meet FATF standards. According to OTA officials, the host country itself is ultimately responsible for final passage of a law that meets international standards.[16]

- State officials said that OTA's use of confidentiality agreements between contractors and the foreign officials they advise had impeded

[15]According to Treasury officials, OTA funds other Treasury offices that conduct assessments or deliver training, such as Terrorist Financing and Financial Crimes and FinCEN, in conjunction with its programs. Also according to Treasury, OTA has funded the expenses of other agencies to deliver technical assistance in support of an existing work plan and to meet performance objectives.

[16]According to OTA officials, Justice and other U.S. agencies do not always have the time and resources to comment on draft laws. Justice officials agreed but maintained that this problem will be resolved only when other agencies acknowledge Justice's jurisdiction and expertise. According to Treasury, in many cases, countries pass laws that don't meet international standards, even after having received substantial commentary from the U.S. government.

U.S. interagency coordination in one country and that the continued practice could present future challenges.[17] However, Treasury officials said that the incident was an isolated case involving a contract problem and that procedural steps have been taken to ensure the problem is not repeated.

- According to TFWG procedures for priority countries, if an assessment trip is determined to be necessary, State is to lead and determine the composition of the teams and set the travel dates.[18] However, this procedure becomes complicated when a vulnerable country is designated a priority country. For example, in November 2004, Treasury conducted an OTA financial assessment in a vulnerable country and subsequently reached agreement with the country's central bank minister to install a resident advisor to set up an FIU. However, after TFWG had changed the country's status to priority, State officials, in May 2005, denied clearance for Treasury officials to visit the country to arrange for the placement of a resident advisor; according to State TFWG officials, State delayed the officials' visit until a TFWG assessment could be completed. At our review's conclusion in July 2005, Treasury's work had been delayed by 2.5 months. However, the U.S. embassy requested that Treasury proceed with its visit and TFWG delay its assessment.

U.S. Effort Does Not Strategically Align Resources with Related Needs and Risks

The U.S. government, including TFWG, has not strategically aligned its resources with its mission to deliver counter-terrorism-financing training and technical assistance.[19] The U.S. government has no clear record of the budgetary resources available for counter-terrorism-financing assistance. Further, the government has not systematically assessed the suitability and availability of U.S. human capital resources or the potential availability of international resources. As a result, decision makers do not know the full range of resources available to meet the needs and address

[17]When signing a contract for placement of a resident advisor, OTA also signs an agreement with foreign officials that it advises to not share sensitive information with third parties.

[18]A TFWG assessment, conducted by a Financial Systems Assessment Team, includes meetings with host government financial regulatory agencies, the judiciary, law enforcement agencies, the private financial services sector, and nongovernmental organizations.

[19]Our previous work has shown that alignment of resources is critical to making strategic planning a dynamic and inclusive process. See GAO, *Executive Guide: Effectively Implementing the Government Performance and Results Act*, GAO/GGD-96-118 (Washington, D.C.: June 1996).

the related risks they have identified in priority countries and to determine the best match of remaining resources to other vulnerable countries' needs.

U.S. Government Lacks Clear Record of Budget Resources for Training and Assistance

State and Treasury do not have clear records of the funds that they allocate for counter-terrorism-financing training and technical assistance. Each agency receives separate appropriations that it can use to fund training and technical assistance provided by themselves, other agencies, or contractors. State primarily transmits its training and technical assistance funds to other agencies, while Treasury primarily employs short- and long-term advisors through contracts.[20] However, because funding for counter-terrorism-financing training and assistance is mingled with funding given to the agencies for anti-money-laundering training and assistance and other programs, it is difficult for U.S. government decision-makers to determine the actual amount allocated to these efforts.[21]

State officials told us that funding for State counter-terrorism-financing training and technical assistance programs derives from two primary sources:

- **Non-Proliferation, Anti-Terrorism, Demining, and Related Programs**. State's Office of the Coordinator for Counterterrorism uses funding from this account to provide counter-terrorism financing training and technical assistance to TFWG countries. Our analysis of State records showed that budget authority for the account included $17.5 million for counter-terrorism-financing training and technical assistance for fiscal years 2002-2005.

- **International Narcotics Control and Law Enforcement**. State's Bureau of International Narcotics Control and Law Enforcement uses funding from this account to provide counter-terrorism-financing and anti-money-laundering training and technical assistance to a wide range of countries, including seven priority countries, during fiscal years 2002-2005, as well to provide general support to multilateral and regional programs. Our analysis of State records shows that budget authority for this account included about $9.3 million for anti-money-laundering assistance, counter-terrorism-financing training and

[20]OTA also funds the travel of all Treasury participants in the assessment process and has funded other U.S. government employees in support of an existing work plan and to meet performance objectives.

[21]TFWG expenditures are classified.

assistance, and related multilateral and regional activities for fiscal years 2002-2005.[22]

State officials also told us that other State bureaus and offices provide counter-terrorism-financing and anti-money-laundering training and technical assistance (e.g., single-course offerings or "small-dollar" programs) as part of regional, country-specific, or broad-based programs.[23]

Treasury officials told us that OTA's counter-terrorism-financing technical assistance is funded through its Financial Enforcement program. Our analysis of Treasury records showed that OTA received budget authority totaling about $30.3 million for all financial enforcement programs for fiscal years 2002-2005. However, because OTA funding for counter-terrorism-financing training and technical assistance is embedded with funding for anti-money-laundering assistance, the exact amount allocated to countering terrorist financing cannot be determined. One OTA official told us that in any given year, as much as two-thirds of these program funds may be spent on counter-terrorism-financing or anti-money-laundering assistance.

U.S. Government Has Not Assessed Human Capital Resources for Training and Assistance

The U.S. government, including TFWG, has not systematically assessed the availability and suitability of the human capital resources used by the agencies for counter-terrorism-financing training and technical assistance. As a result, agency decision makers lack reliable information to use in determining the optimal balance of government employees and contractors to meet the needs and relative risks of vulnerable countries.

According to State and Treasury officials, the effectiveness of contractors and current employees in delivering the various types of training and technical assistance has not been systematically evaluated. Decisions at TFWG appear to be based on anecdotal information rather than transparent and systematic assessments of resources. In addition, according to the State Performance and Accountability Report for fiscal year 2004, a shortage of anti-money-laundering experts continues to

[22]An official from State's Bureau of International Narcotics and Law Enforcement Affairs Office told us that in fiscal year 2004 about $2.3 million, which had been carried forward from prior years, was transferred to a development program, reducing the total to $7 million.

[23]State's Bureau of International Narcotics and Law Enforcement Affairs Office provided a document showing about $4.1 million in Support for European Democracy funds obligated for anti money laundering training between Fiscal Years 2002-2004.

hamper efforts to meet the needs of nations that request assistance, including priority countries. According to State officials, U.S. technical experts are especially overextended because of their frequent need to divide their time between assessment, training, and investigative missions. Moreover, officials from State's Office of the Coordinator for Counterterrorism said that a lack of available staff had slowed the disbursement of funding at TFWG's inception.[24]

Although Treasury said that there may be a shortage of anti-money laundering experts in the U.S. government who are available to provide technical assistance in foreign countries, Treasury officials told us that many such experts, recently retired from the same U.S. government agencies, are available as contractors. A senior OTA official said that OTA has actively sought to provide programs in more priority countries but that State, as chair of TFWG, has not supported OTA's efforts. Specifically, our analysis showed that OTA obligated about $1.1 million of its financial enforcement program funding in priority countries, in part to place resident advisors, in fiscal years 2002-2005.[25] State officials said that they welcomed more OTA participation in priority countries as a component of applicable resources; however, they questioned whether OTA consistently provides high-quality assistance. At the same time, State officials repeatedly stated that they needed OTA funding, not OTA-contracted staff, to meet current and future needs.[26]

U.S. Government Has Not Assessed Potential International Resources

The U.S. government, including TFWG, has not systematically consolidated and synthesized available information on other countries' and international entities' counter-terrorism-financing training and technical assistance activities or integrated this information into a decision-making process. Further, TFWG has not developed a strategy for encouraging allies and international entities to contribute resources to help vulnerable countries build counter-terrorism-financing capabilities and coordinate training and technical assistance activities—one of

[24]Department of State expenditures for priority countries are classified.

[25]Our analysis considered 19 priority countries, excluding countries that TFWG added to the priority list in March 2005. At the time of our review, OTA had obligated $9.5 million of the $30.3 million budgeted for financial enforcement programs in priority and non-priority countries in fiscal years 2002-2005.

[26]State generally funds other, non-State agencies—including OTA—to provide training to foreign governments, whereas OTA generally funds contractors, the majority of whom are former U.S. government employees, to do so.

TFWG's stated goals. State and Treasury officials told us that, instead, they take an ad hoc approach to working with allies and international entities on coordinating resources for training and technical assistance. These officials also noted that at TFWG meetings, interagency issues are given higher priority than international resource sharing. Without a systematic way to assess information about international activities and to consolidate, synthesize, and integrate this information into the U.S. interagency decision-making process, the U.S. government cannot easily capitalize on opportunities for resource sharing with allies and international entities.

U.S. Government Lacks System to Measure Performance and Incorporate Results

The U.S. government, including TFWG, has not established a system to measure the results of its training and technical assistance efforts and to incorporate this information into its integrated planning efforts. According to an official from Justice's Office of Overseas Prosecutorial Development, Assistance and Training (OPDAT), OPDAT led an interagency effort to develop a system for measuring the results of training and technical assistance provided through TFWG and related assistance results for priority countries. In November 2004, OPDAT assigned an intern to set up a database to track such results. Because the database was not accessible to all TFWG members, OPDAT planned to serve as the focal point for entering the data collected by TFWG members.[27]

OPDAT asked agencies to provide statistics on programs, funding, and other information, including responding to questions concerning results that corresponded to the five elements of an effective counter-terrorism-financing regime. OPDAT also planned to track key recommendations for training and technical assistance and progress made in priority countries as provided in FATF and TFWG assessments. However, as of July 2005, OPDAT was still waiting to hire an intern to complete the project. OPDAT and State officials confirmed that the system had not yet been approved or implemented by TFWG.

[27]It became unclear at our meeting with OPDAT and State whether the database should be classified. Justice had not classified the database, because officials were under the impression that only the ranking of priority countries was classified information, while State maintained that the listing of priority countries was classified.

GAO Recommended Actions to Improve Interagency Coordination, and Agencies Are Taking Steps

To ensure that U.S. government interagency efforts to provide counter-terrorism-financing training and technical assistance are integrated, efficient, and effective, particularly with respect to priority countries, we recommended in our report that the Secretary of State and the Secretary of the Treasury, in consultation with NSC and relevant government agencies, develop and implement an integrated strategic plan for the U.S. government that

- designates leadership and provides for key stakeholder involvement;
- includes a systematic and transparent assessment of the allocation of U.S. government resources;
- delineates a method for aligning the resources of relevant U.S. agencies to support the mission based on key needs and related risks; and
- provides processes and resources for measuring and monitoring results, identifying gaps, and revising strategies accordingly.

We also recommended that the Secretaries of State and the Treasury enter into a Memorandum of Agreement concerning counter-terrorism-financing and anti-money-laundering training and technical assistance to ensure a seamless campaign in providing such assistance programs to vulnerable countries. The agreement should specify, with regard to U.S. counter-terrorism-financing training and technical assistance,

- the roles of each department, bureau, and office;
- methods to resolve disputes concerning OTA's use of confidentiality agreements in its contracts; and
- coordination of funding and other resources.

In March 2006 letters to relevant congressional oversight and appropriation committees, State and Treasury describe general steps that they are taking to improve the interagency process in delivering counter-terrorism-financing training and technical assistance abroad. The agencies report engaging with each other at all levels to ensure increased coordination. In addition, they report that, in concert with the NSC and the Departments of Homeland Security and Justice, they are reviewing TFWG and its procedures with a view to enhancing its effectiveness. Also, State reports that it has begun chairing TFWG at the Deputy Assistant Secretary level to further enhance coordination. State also says that it is reconvening

a senior-level interagency Training and Assistance Subgroup that is responsible for coordinating all U.S. government assistance on counterterrorism matters, including counter-terrorism-financing training and technical assistance.

Although these steps could provide a basis for improved stakeholder acceptance of roles and procedures, State's and Treasury's letters lack sufficient detail to affirm that the preparation of an integrated and risk-based strategic plan is under way. The letters also do not address efforts to strategically align resources with needs or to measure performance. Moreover, the letters do not address our recommendation regarding the Memorandum of Agreement or offer alternative means of ensuring the duration of any improvements in coordination.

Treasury Needs Meaningful Performance Measures and Information to Show Results and Progress of Terrorist Asset Blocking

Treasury's OFAC undertakes a number of activities as part of its efforts to block terrorist assets. However, although Treasury uses some limited performance measures related to OFAC's efforts, Treasury officials acknowledged that the measures do not assess results or show how OFAC's efforts contribute to Treasury's terrorist financing-related goals. In addition, OFAC officials acknowledged that Treasury's annual Terrorist Assets Report to Congress on the nature and extent of blocked terrorists' U.S. assets does not provide the information needed to assess progress achieved. In our report, we recommended that the Secretary of the Treasury finalize the development of the performance measures as well as an OFAC-specific strategic plan and provide more complete information in its annual reports to Congress on terrorist assets blocked. As of March 2006, OFAC had developed new performance measures and said it would work with Congress to provide the information needed regarding OFAC's terrorist asset blocking efforts.

OFAC Administers Terrorism-Related Sanctions

OFAC administers and enforces economic sanctions, based on U.S. foreign policy and national security goals, against designated individuals or groups that conduct or facilitate terrorist activity.[28] Once individuals or groups are designated by Treasury or State, OFAC serves as the lead agency responsible for prohibiting transactions and blocking assets subject to U.S. jurisdiction. As part of its efforts, OFAC

- coordinates and works with other U.S. agencies to identify and investigate prospective terrorist designations;
- compiles the administrative record or evidentiary material that will serve as the factual basis underlying a decision by OFAC to designate individuals or groups; and
- engages foreign counterparts to gather information, apply pressure, or request or offer assistance in support of terrorist designation and asset blocking activities.

OFAC may use the threat of designation to gain cooperation, forcing key sources of financial support to choose between public exposure of their support of terrorist activity of their good reputation. OFAC also works with the regulatory community and industry groups to assure that assets are expeditiously blocked and the ability to carry out transactions through U.S. parties is terminated.

Treasury's Performance Measures Do Not Assess Results of Terrorist Asset Blocking

At the time of our October 2005 review, Treasury lacked effective performance measures to assess the results of OFAC's terrorist asset blocking efforts or show how these efforts contribute to the department's goals of disrupting and dismantling terrorist financial infrastructures and executing the nation's financial sanctions policies. Treasury's 2004 Performance and Accountability Report contained limited performance measures related to asset blocking, including terrorist designations, including

[28]According to Treasury, these economic sanctions are intended to deprive terrorists and terrorist groups of access to U.S. markets and the international financial system and are aimed at impeding their larger supply networks, which aid, facilitate, and ultimately underpin the successful execution of terrorist acts. OFAC also administers other economic and trade base sanctions against foreign countries, international narcotics traffickers, and those engaged in activities related to the proliferation of weapons of mass destruction.

- an increase in the number of terrorist finance designations in which other countries join the United States,
- an increase in the number of drug trafficking and terrorist-related financial sanctions targets identified and made public,[29] and
- the estimated number of sanctioned entities no longer receiving funds from the United States.[30]

OFAC officials told us that they recognized the inadequacy of these measures to assess progress in blocking terrorist assets. According to the OFAC officials:

- The measures in the 2004 Performance and Accountability Report are not specific to terrorist financing. Two of the three measures do not separate data on terrorists from data on other entities such as drug traffickers, hostile foreign governments, corrupt regimes, and foreign drug cartels, although OFAC officials acknowledged that they could have reported the data separately.
- Progress on asset blocking cannot be measured simply by totaling an amount of blocked assets at the end of the year, because the amounts may vary over the year as assets are blocked and unblocked.
- As of October 2005, Treasury had not developed measures to track activities and results related to asset blocking. For example, Treasury's underlying research to identify terrorist entities and their support systems is used by other U.S. agencies for activities such as law enforcement investigations. However, Treasury lacked measures to track other agencies' use of this research.

Treasury officials also noted that measuring the effectiveness of these efforts in terms of their deterrent value is problematic, in part because the direct impact on unlawful activity is unknown and because precise metrics for illegal and clandestine activities are hard to develop. According to Treasury officials, measuring these efforts' effectiveness can also be

[29]Treasury's 2004 Annual Performance and Accountability Report states that Treasury proposes to discontinue use of this indicator in 2005.

[30]Sanctioned entities include hostile foreign governments, corrupt regimes, foreign drug cartels, and other sanctioned targets determined by the President, the Secretary of State, or the Congress.

difficult because many of them involve multiple U.S. agencies and foreign governments and are highly sensitive. However, contrary to a U.S. legislative directive to agencies to ascertain and explain the infeasibility or impracticableness of a performance goal for a program activity, Treasury's annual report does not address the deterrent value of designations or the difficulties in measuring their effectiveness.[31]

In October 2005, in commenting on a draft of our draft report, Treasury officials told us that they were in the process of developing better quantitative and qualitative measures for assessing the results of OFAC's terrorist asset blocking efforts. In addition, Treasury officials said that they were developing a strategic plan to guide OFAC's efforts.[32] The officials stated that they expected OFAC's new performance measures to be completed by December 1, 2005, and its new strategic plan to be completed by January 1, 2006. We recommended in our report that the Secretary of the Treasury complete the efforts to develop meaningful performance measures and an OFAC-specific strategic plan to ensure that policy makers and program managers are able to examine the results of U.S. efforts to block terrorists' assets. According to discussions with OFAC officials in March 2006, OFAC has developed new measures to assess its role in administering and enforcing economic sanctions against terrorists; however, we have not assessed the adequacy of these new measures. According to OFAC officials, as of March 30, 2006, the strategic plan had not yet been finalized.

[31]According to the Government Performance and Results Act (GPRA) of 1993, Pub. L. No. 103-62, when it is not feasible to develop a measure for a particular program activity, the executive agency shall state why it is infeasible or impractical to express a performance goal for the program activity. GPRA also states that the agency shall consult with the Director of the Office of Management and Budget to determine that it is not feasible to express the performance goal in a measurable form.

[32]According to GPRA, agency strategic plans should include, among other elements, a set of general goals and objectives and a description of how performance goals and measures are related to the general goals and objectives of the program. Currently, OFAC's efforts are guided by Treasury's overall strategic plan.

Treasury Report Does Not Show Progress in Asset Blocking

Treasury's annual Terrorist Assets Report, which offers a year-end snapshot of dollar amounts of terrorist assets held in U.S. jurisdiction, does not provide sufficient information to demonstrate OFAC's progress in its terrorist asset blocking efforts.[33] In 2004, OFAC reported that the United States blocked almost $10 million in assets belonging to seven international terrorist organizations and related designees.[34] The 2004 report also noted that the United States held more than $1.6 billion in assets belonging to six designated state sponsors of terrorism.[35] However, the report does not document or quantify changes from amounts of assets blocked in previous years. For example, the 2004 report stated that the United States held $3.9 million in al Qaeda assets, but it did not show that this represented a 400 percent increase from the value of al Qaeda assets held by the United State in 2003 or offer an explanation for this increase.[36]

We noted in our October 2005 report that although the amounts of assets blocked are not in themselves a complete measure to assess progress over time, such information, along with other key performance metrics, could help policy makers and program managers examine the results of OFAC's asset blocking efforts. We recommended that the Secretary of the Treasury provide more complete information in the annual Terrorist Assets Report on the nature and extent of assets blocked, such as differences in amounts blocked each year, explanations for such differences, results of OFAC's terrorist asset blocking efforts, and

[33]Section 304 of Public Law 102-138, as amended by Public Law 103-236 (codified at 22 USC §2656g), requires the Secretary of the Treasury, in consultation with the Attorney General and appropriate investigative agencies, to provide an annual report to Congress "describing the nature and extent of assets held in the United States by terrorist countries and organizations engaged in international terrorism." Treasury must submit the Terrorist Assets Reports to the Committee on Foreign Relations and the Committee on Finance of the Senate and to the Committee on International Relations and the Committee on Ways and Means of the House.

[34]The 2004 Terrorist Assets Report listed the international terrorist organizations as al Qaeda, HAMAS, Mujahedin-E Khalq Organization, New People's Army, Palestinian Islamic Jihad, Kahane Chai, and the Taliban. This figure does not include amounts under review or investigation.

[35]The 2004 Terrorist Assets Report listed the state sponsors of terrorism as Cuba, Iran, Libya, North Korea, Sudan, and Syria. Of the $1.6 billion, $1.5 billion in assets are blocked because of economic sanctions imposed by the United States.

[36]According to OFAC, amounts blocked for terrorist entities may shift year to year for policy-related purposes. For example, funds may be unblocked when the U.S. government terminates a sanctions program or when OFAC issues exceptions to sanctions programs in accordance with applicable law.

obstacles faced by the U.S. government. In commenting on a draft of our report, Treasury observed that the Terrorist Assets Report "is not mandated or designed as an accountability measure." However, nothing in the statutory language or the congressional intent underlying the mandate precludes Treasury from compiling and reporting in this manner. Senior OFAC officials acknowledged that the Terrorist Assets Report is not useful for assessing results of asset blocking efforts. In its March 2006 letter to relevant congressional oversight and appropriation committees, Treasury responded that although it does not believe that the amounts of assets blocked is a meaningful measure of its efforts' effectiveness, it would work with Congress to discuss recrafting the Terrorist Assets Report to address congressional interests.

Conclusion

U.S. agencies have accomplished much in their efforts to combat terrorist financing abroad. Despite the difficulties of interagency coordination, TFWG has delivered counter-terrorism-financing training and technical assistance to numerous vulnerable countries and has designated and blocked significant amounts of terrorist assets. However, as GAO's October 2005 report described, several challenges impact the effectiveness of U.S. agencies' efforts. Without a strategic and integrated plan for coordinating the funding and delivery of training and technical assistance by the agencies, the U.S. government cannot maximize the use of its resources in the fight against terrorist financing. Interagency disputes over State-led TFWG roles and procedures have hampered TFWG leadership and wasted staff energy and talent. In addition, decisions based on anecdotal and informal information, rather than transparent and systematic assessments, have hindered managers from effectively addressing problems before they grow and potentially become crises. Further, the U.S. government's, including TFWG's, failure to integrate all available U.S. and international resources may result in missed opportunities to leverage resources to meet related needs and risks, particularly given the scarce expertise available to address counter-terrorism financing. Finally, without a functional performance measurement system, TFWG lacks the information needed for optimal coordination and planning.

Although OFAC undertakes a number of important efforts with regard to blocking terrorist assets, the lack of meaningful performance measures and sufficient information regarding these efforts has created uncertainty about their results and progress. The new performance measures that OFAC has recently developed may enable Congress and other officials with oversight responsibilities to ascertain the strengths and weaknesses

of these efforts as well as hold OFAC managers accountable. OFAC's strategic plan, when completed, could further facilitate the development of meaningful performance measures by describing the relation of performance goals and measures to OFAC's mission, goals, and objectives. In addition, including information in Treasury's annual Terrorist Assets Reports that shows changes in the amounts of assets blocked from year to year may help Congress and other officials better understand the importance of these efforts in the overall U.S. effort to combat terrorist financing and may assist in the strategic allocation of resources.

Matter for Congressional Consideration

In view of congressional interest in U.S. government efforts to deliver training and technical assistance abroad to combat terrorist financing and the difficulty of obtaining a systematic assessment of U.S. resources dedicated to this endeavor, as stated in our report, Congress should consider requiring the Secretary of State and the Secretary of the Treasury to submit an annual report to Congress showing the status of interagency efforts to develop and implement an integrated strategic plan and Memorandum of Agreement to ensure TFWG's seamless functioning, particularly with respect to TFWG roles and procedures.

Madame Chairwoman, this concludes my prepared statement. I would be pleased to respond to any questions that you or other members of the subcommittee may have at this time.

Contacts and Acknowledgments

Should you have any questions about this testimony, please contact Loren Yager at (202) 512-4128 or yagerl@gao.gov. Other major contributors to this testimony were Christine Broderick, Kathleen Monahan, Tracy Guerrero, Elizabeth Guran, and Reid Lowe.

Appendix I: Terrorist Finance Working Group (TFWG) Membership and Program Development Process

According to the Department of State (State), the Terrorist Finance Working Group (TFWG) was convened in October 2001 to develop and provide counter-terrorism-financing training to countries deemed most vulnerable to terrorist financing. Composed of various agencies throughout the U.S. government, TFWG is cochaired by State's Office of the Coordinator for Counterterrorism and Bureau for International Narcotics and Law Enforcement Affairs. It meets biweekly to receive intelligence briefings, schedule assessment trips, review assessment reports, and discuss the development and implementation of technical assistance and training programs.

TFWG Membership

Agencies and offices participating in TFWG include the following:

Department of State

- Office of the Coordinator for Counterterrorism
- Bureau for International Narcotics and Law Enforcement Affairs, Crime Programs
- Regional bureaus
  - Bureau for Economic and Business Affairs
  - Bureau of Diplomatic Security Office of Antiterrorism Assistance
  - United States Agency for International Development

Department of the Treasury

- Terrorist Financing and Financial Crimes
- Office of Technical Assistance: Financial Crimes Enforcement Network:
- Office of the Comptroller of the Currency
- Internal Revenue Service—Criminal Investigation

Department of Justice

- Office of Overseas Prosecutorial Development, Assistance, and Training
- Asset Forfeiture and Money Laundering Section
- Counter Terrorism Section
- Federal Bureau of Investigation
- Drug Enforcement Administration

Department of Homeland Security

- Bureau of Customs and Border Protection
- Bureau of Immigration and Customs Enforcement

Other participants

- National Security Council
- Central Intelligence Agency
- Federal Deposit Insurance Corporation
- Federal Reserve Board

TFWG Program Development Process

According to State, the TFWG process for developing counter-terrorism-financing training and assistance programs involves the following steps:

1. With input from the intelligence and law enforcement communities, identify and prioritize countries most vulnerable to terrorist financing , and needing the most assistance in combating it.

2. Evaluate priority countries' counter-terrorism-financing and anti-money-laundering regimes with Financial Systems Assessment Team (FSAT) on-site visits or Washington tabletop exercises. State-led FSAT teams of 6 to 8 members include technical experts from State, Treasury, Justice, and other regulatory and law enforcement agencies. The FSAT on-site visits take about 1 week and include in-depth meetings with host government financial regulatory agencies, the judiciary, law enforcement agencies, the private financial services sector, and nongovernmental organizations.

3. Prepare a formal assessment report on each priority country's vulnerabilities to terrorist financing and make recommendations for training and technical assistance to address these weaknesses. The formal report is shared with the county's government to gauge its receptivity and to coordinate U.S. offers of assistance.

4. Develop a counter-terrorism-financing training implementation plan based on FSAT recommendations. Counter-terrorism-financing assistance programs include financial investigative training to "follow the money," financial regulatory training to detect and analyze suspicious transactions, judicial and prosecutorial training to build financial crime cases, financial intelligence unit development, and

training in detecting over- and under-invoicing schemes for money laundering or terrorist financing.

5. Provide sequenced training and technical assistance to priority countries in the country, regionally, or in the United States.

6. Encourage burden sharing with our allies, with international financial institutions (e.g., IMF, World Bank, regional development banks), and through international organizations such as the United Nations (UN), the UN Counterterrorism Committee, Financial Action Task Force on Money Laundering, or the Group of Eight (G-8) to capitalize on and maximize international efforts to strengthen counter-terrorism-financing regimes around the world.

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Questions for the Record
House Financial Services Oversight and Investigations Subcommittee
April 6, 2006
"Counter-Terrorism Financing Foreign Training and Assistance"

Rep. Barney Frank
Rep. Carolyn B. Maloney
Rep. Luis V. Gutierrez
Committee on Financial Services
U.S. House of Representatives

1. In GAO's October 2005 report (*Terrorist Financing: Better Strategic Planning Needed to Coordinate US. Efforts to Deliver Counter-Terrorism Financing Training and Technical Assistance Abroad, GAO-06-1 9*), State asserts leadership over all training and technical assistance, not limited to priority countries.

   A) What is Treasury's position on State's leadership role over the delivery of training and technical assistance to non-priority countries?

   ANSWER:

   The Terrorist Financing Working Group (TFWG) documents that define State's leadership role in anti-money laundering and counter terrorist financing (AML/CTF) assistance to priority countries do not apply to technical assistance (TA) to non-priority countries. Treasury nevertheless consults closely with State, both at main State and U.S. embassies abroad, about prospective and ongoing Treasury AML/CTF TA to non-priority countries. Country clearance, based on a description of objectives, is sought from State for any engagement by Treasury's Office of Technical Assistance (OTA) in a priority or non-priority country. All OTA AML/CTF assessment, monthly and trip reports, whether for engagements in priority or non-priority countries, are shared with TFWG and other agencies.

   B) What about front-line countries (non-priority countries with known terrorist cells)? What happens when a non-priority country becomes a priority country?

   ANSWER:

   The documents that define State's leadership role in assistance to priority countries do not apply to front-line countries, but do apply to a front-line country when it becomes a priority country.

   As stated above, Treasury/OTA consults closely with State about potential and

ongoing Treasury AML/CTF TA to front-line countries. All assessment, monthly, and trip reports related to such, whether for engagements in priority, front-line or non-priority countries, are shared with other agencies.

C) Please provide a copy of the Terrorist Financing Working Group's (TFWG) procedures which outline State's leadership role over the delivery of training and technical assistance to priority, front-line, and other non-priority countries.

ANSWER:

The procedures that you have requested are contained in a classified NSC/CSG document dated 18 June 2002. The NSC would have to approve release of this document to Congress.

2. TFWG performs assessments to determine the types of training and technical assistance needed to strengthen the counter-terrorism-financing regimes in priority countries. In GAO's report, State indicated that they would prefer to access some of Treasury's funds to deliver the appropriate training and technical assistance to priority countries (based on TFWG assessments), rather than have Treasury use its funds for training and technical assistance to non-priority countries. TFWG procedures state that agency experts have determined that no legal prohibition exists that would limit Treasury from paying the expenses of non-Treasury personnel on training and technical assistance related to terrorist financing, so long as the purpose is within the ambit of Treasury's overall mission in this area.

A) Does Treasury support State's leadership role in determining the best use of funds (including Treasury's funds) to support training and technical assistance to priority countries, even when it might mean using Treasury funds for expenses of non-Treasury personnel?

ANSWER:

Treasury supports State's leadership role in facilitating the interagency dialogue about the best use of such funds and based on this dialogue, Treasury decides which engagements to fund. Indeed, OTA has provided funding for another agency's efforts in a priority country when that work has been complementary and additive to the work by Treasury. Congress has appropriated funds in the Foreign Operations Appropriations Acts to both State and Treasury/OTA for the purposes of addressing mission requirements. State funding with regard to TFWG activities is determined by Congress. In the same respect, Treasury/OTA funding, which

may include activities in TFWG countries, is also determined by Congress as a means of addressing macroeconomic foreign policy issues. TFWG activities are a portion of the larger economic engagement by Treasury with foreign governments.

B) Please provide a copy of TFWG procedures outlining how TFWG will determine the amount of resources/funds available to TFWG priority countries.

ANSWER:

The procedures that you have requested are contained in a classified NSC/CSG document dated 18 June 2002. The NSC would have to approve release of this document to Congress.

C) Is Treasury willing to devote Office of Technical Assistance (OTA) funds to support training and technical assistance to priority countries that is provided by non-Treasury personnel?

ANSWER:

Answered above.

3. While Treasury's response to Ranking Member Frank's February 16, 2006, questions for the record for the Subcommittee's hearing from February 16, 2006, indicates that, in general, contractors should not draft national legislation on anti-money laundering (AML) and counter-terrorism financing (CTF) in priority countries, Treasury's response also indicates that there are exceptions to this policy.

A) Have Treasury and State agreed upon the circumstances under which those exceptions would be permitted?

ANSWER:

Yes. Treasury, State and DOJ agree that DOJ has the core USG competency in legislative drafting and should have the lead in priority countries in this area. They have agreed that Treasury personal services contractors (PSCs) should not draft money laundering, asset forfeiture, and terrorist financing laws in priority countries.

B) What criteria does TFWG consider when determining when to allow contractors

to draft national legislation on AML and CTF?

ANSWER:

Treasury PSCs should not and do not draft legislation on AML/CTF for priority countries.

C) What are the procedures for using contractors in drafting national legislation when a country moves from a non-priority status to a priority status? What about front-line countries?

ANSWER:

The procedures establishing the Department of Justice's core USG competency to draft AML/CTF legislation are set forth above.

D) Please provide a copy of TFWG procedures which outline the criteria for using contractor's to draft national AML and CTF legislation.

ANSWER:

The procedures that you have requested are contained in a classified NSC/CSG document dated 18 June 2002. The NSC would have to approve release of this document to Congress.

4. Treasury, Justice, and State agree that drafting national legislation on AML/CTF is very important and time-sensitive. In GAO's report, Treasury stated that they have tried to share draft legislation with Justice, but Justice does not have the time or resources to comment.

ANSWER:

The agencies are working together to establish the appropriate methods of request to provide comments. This includes the Department of Justice's designation of a point of contact within the Asset Forfeiture and Money Laundering Section (AFMLS) to receive and prioritize requests for legislative comments.

A) What are TFWG procedures for ensuring quality legislation for those cases when contractors do draft national legislation on AML and CTF for priority or non-

priority countries?

ANSWER:

Treasury PSCs do not draft AML-CTF in priority countries. Remarks addressing the procedures that you have requested are contained in a classified NSC/CSG document dated 18 June 2002. The NSC would have to approve release of this document to Congress.

B) Are there any TFWG requirements that Justice review the draft legislation? Are these requirements in place for priority countries? Non-priority countries? Both?

ANSWER:

The procedures that you have requested are contained in a classified NSC/CSG document dated 18 June 2002. The NSC would have to approve release of this document to Congress.

C) Please provide a copy of TFWG policies and procedures for ensuring quality national AML and CTF legislation.

ANSWER:

The procedures that you have requested are contained in a classified NSC/CSG document dated 18 June 2002. The NSC would have to approve release of this document to Congress.

5. Treasury's response to Ranking Member Frank's February 16, 2006, questions for the record (question 5) indicates that new TFWG procedures have been agreed upon regarding to the use of confidentiality agreements.

A) Does the prohibition of confidentiality agreements apply to priority as well as non-priority countries? If not, how do they differ?

ANSWER:

Since the autumn of 2005, there no longer is an issue with confidentiality agreements because they are no longer used. OTA Financial Enforcement has implemented a policy of not including confidentiality agreements in the Terms of

Reference that govern OTA advisors providing AML/CTF TA in the host country.

B) Please provide a copy of the TFWG procedures which outline this directive.

ANSWER:

TFWG procedures do not discuss confidentiality agreements.

6. Treasury's response to Ranking Member Frank's February 16, 2006, questions for the record (question 6) indicates that some adjustments have been made to TFWG procedures regarding to the need and timing for TFWG in-country assessments because "table-top" assessments in Washington are adequate in some cases.

A) What are the TFWG criteria that establish when "table-top" assessments can be used in lieu of a TFWG country visit assessment?

ANSWER:

TFWG practice does provide for the option of a "table-top" or non-onsite assessment. Table top assessments began in late 2004. They were instituted because often a country had recently been assessed by one or more members of the interagency community. The primary criterion for using a "table top" assessment, rather than a TFWG in-country assessment, is that the interagency community determines that sufficient information already exists upon which a determination as to assistance needed can be made. For example, a recent FATF Mutual Evaluation may exist, or country assessments already performed by members of the interagency group may suffice. Utilizing these assessments would facilitate progress, save unnecessary expenditures and would preclude the necessity for an on-site assessment.

The TFWG has adopted several table-tops. In some cases, the TFWG met with host nation officials in Washington, D.C. In others, the table-top relied on previous assessments. In some cases, where the table-top assessment identified significant information gaps, a limited or "targeted" Financial Systems Assessment Team (FSAT) obtains the required information.

B) Please provide a copy of the TFWG procedures which articulate when a table-top assessment can be used and when a country visit is required for determining the

delivery of training and technical assistance.

ANSWER:

Whether a table-top assessment should be instituted is determined on a case-by-case basis.

The procedures that you have requested are contained in a classified NSC/CSG document dated 18 June 2002. The NSC would have to approve release of this document to Congress.

C) What is the procedure for conducting assessments when a non-priority country becomes a priority country? What about front-line countries?

ANSWER:

The TFWG periodically reviews its priority list. When a non-priority country becomes a priority country a determination is made whether or not an on-site assessment is needed. If TWFG members agree that an on-site assessment is required, then an assessment will be scheduled. The detailed procedures with respect to front-line countries are contained in a classified NSC/CSG document dated 18 June 2002. The NSC would have to approve release of this document to Congress.

7. GAO recommended that State and Treasury, in consultation with the National Security Council and other relevant government agencies, develop a strategic and integrated plan for the delivery of training and technical assistance overseas.

A) Do State and Treasury intend to develop an integrated strategic plan for the delivery of training and technical assistance to priority and non-priority countries?

ANSWER:

As was indicated at the hearing, the Departments of Justice, State, and Treasury agree that an integrated strategic plan for the delivery of training and technical assistance to priority and non-priority countries already exists. There is no desire

among the TFWG agencies to reinvent a process that has worked well for several years and worked even better since the issuance of the GAO report.

The integrated strategic plan is in writing, though most of it is classified by the NSC. Nevertheless, most of these documents were provided in a classified report that the Department of State provided to Congress in May 2004.

B) Please provide copies of TFWG procedures that outline stakeholder roles and procedures for delivering training and technical assistance to priority and non-priority countries.

ANSWER:

The procedures that you have requested are contained in a classified NSC/CSG document dated 18 June 2002. The NSC would have to approve release of this document to Congress.

C) What type of systematic assessment has been done under TFWG to evaluate the allocation of funds and human capital resources with the needs and risks identified in vulnerable countries (priority and non-priority)? Please provide a copy of this assessment or a copy of the procedures for making this assessment.

ANSWER:

There is no one document that is responsive to your request related to systematic assessments of resources and performance measures. We believe that the classified report that the Department of State issued to Congress in May of 2004 addressed the resource-related questions up to April of 2004

The procedures that you have requested are contained in a classified NSC/CSG document dated 18 June 2002. The NSC would have to approve release of this document to Congress.

D) What type of performance measures have been developed to help the U.S. government monitor its efforts and assess the results of its counter-terrorism-financing training and technical assistance overseas? Please provide copies of any and all performance measures that have been developed.

ANSWER:

Treasury has instituted mandatory performance-based work plans for all OTA projects. These work plans require the establishment of goals and objectives with measurable milestones. OTA routinely provides copies of their AML/CTF assessment, monthly, and trip reports to TFWG and other agencies. The monthly and trip reports evaluate progress towards meeting the detailed objectives that were set out in the original work plan and terms of reference agreed upon with the host country. The monthly report reviews major developments in each technical area of the project, recording the attainment or failure to achieve stated objectives.

Each of the AML/CTF training and technical assistance projects that are funded by the Department of State includes performance measures formulated by the agency providing the training. In addition, the annual International Narcotics Control Strategy Report (INCSR) provides individual country assessments and a comparative table of performance measures. In addition the Department of Justice is in the process of developing a computer based method to evaluate performance measures specific to the TFWG that will integrate information that exists in diverse documents and reports. This system is scheduled to be demonstrated to the TFWG in the next few weeks.

8. During the April 6, Oversight and Investigations Subcommittee hearing, Treasury did not believe a Memorandum of Agreement (MoA) was needed because TFWG procedures were adequate. Please provide copies of those TFWG procedures that make a MoA unnecessary and that define:

   A) The roles of each department, bureau and office with respect to conducting needs assessments and the delivery of training and technical assistance to priority and non-priority countries;

   ANSWER:

   The roles of each TFWG member are delineated in a classified NSC/CSG document dated 18 June 2002. The NSC would have to approve release of this document to Congress.

   B) The use of confidentiality agreements in priority and non-priority countries;

   ANSWER:

   Confidentiality agreements are no longer used by OTA Financial Enforcement in

the delivery of AML/CTF TA.

C) Methods for coordinating the funding and human capital resources for the delivery of training and technical assistance to priority and non-priority countries.

ANSWER:

The methods for coordinating the funding and human capital resources for the delivery of training and technical assistance are discussed in a classified report that the Department of State provided to Congress in May 2004.

O