



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

May 19, 2021

OIG-CA-21-021

MEMORANDUM FOR DEPARTMENT OF DEFENSE
LEAD INSPECTOR GENERAL

FROM: Gregory Sullivan /s/
Audit Director

SUBJECT: Operation Inherent Resolve - Summary of Work Performed by
the Department of the Treasury Related to Terrorist
Financing, ISIS, and Anti-Money Laundering for Second
Quarter Fiscal Year 2021

This summary provides an update on the Department of the Treasury's (Treasury) programs to combat terrorist financing and activities to disrupt the Islamic State of Iraq and Syria's (ISIS) financing. Per your request, we provided this information in a question and answer format to help streamline the information. This information is provided by Treasury management and is not audited by Treasury Office of Inspector General. Treasury did not respond to questions related to Operation Freedom's Sentinel and anti-U.S. Popular Mobilization Forces that they determined are outside of the scope of their reporting requirements under Operation Inherent Resolve.

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

- a. **A reasonable estimate of the cumulative number of individuals and organizations sanctioned (by Treasury, not cumulative with State) for providing support to ISIS since 2014 through the reporting period: January 1, 2021 – March 31, 2021.**

Treasury uses the full range of its authorities to aggressively target ISIS leaders and operatives around the world. These efforts

resulted in the United States designating 95¹ ISIS-associated individuals and organizations since 2014.

b. Details on individuals and organizations sanctioned for providing support to ISIS during the reporting period: January 1, 2021 – March 31, 2021.

No individuals or organizations were sanctioned during this quarter.

c. The number, if any, of previously sanctioned individuals and/or organizations removed from the sanctions list during the reporting period: January 1, 2021 – March 31, 2021.

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

Q2. In an unclassified, publicly releasable format, describe what was done this quarter with Coalition partners in Iraq and Syria to disrupt ISIS financial networks.

Treasury told us it continues to work with interagency and Coalition partners, including the Government of Iraq, to prioritize identifying ISIS's financial reserves and financial leaders, disrupting its financial facilitation networks in Iraq, and designating ISIS facilitators, front companies, and fundraisers in Iraq, Syria, Turkey and elsewhere. Treasury also takes a leadership role in the Global Coalition to Defeat ISIS, serving as a co-lead of the Counter ISIS Finance Group along with its counterparts from Italy and Saudi Arabia.

Q3. In an unclassified, publicly releasable format, describe ISIS funding in Iraq and Syria, to include what has changed since last quarter, the estimated amount of funds at its disposal, how funds are generated and distributed, and any shortfalls in the amount or distribution of funds this quarter.

Treasury told us ISIS's financial situation remains largely unchanged compared to the previous quarter. ISIS continued to raise funds through extortion of oil smuggling networks in eastern Syria,

¹ Treasury reported 92 ISIS-associated individuals and organizations sanctioned since 2014 as of December 31, 2020 (OIG-CA-21-012). However, Treasury reported this quarter that 95 is the correct cumulative number of ISIS-associated individuals and organizations sanctioned since 2014, despite no individuals or organizations designated since the previous quarter. Treasury employees could not identify the discrepancy between last quarter and this quarter as they did not historically maintain a list. Treasury employees also told us that individuals can use subjective judgment, at times, to determine if individuals and organizations were sanctioned specifically for providing support to ISIS.

kidnapping for ransom targeting civilian businesses and populations, looting, and possibly the operation of front companies. ISIS also continued to use networks of couriers to smuggle cash between Iraq and Syria. The group relied on money services businesses, including hawalas,² to transfer funds between Iraq and Syria as well as internationally, often relying on logistical hubs in Turkey. ISIS probably has tens of millions of U.S. dollars available in cash reserves dispersed across the region, but Treasury does not know the amount of money ISIS distributed during this quarter.

Q4. In an unclassified, publicly releasable format, describe ISIS-core's³ ability to move funds into and out of Syria and Iraq.

Treasury told us ISIS's financial situation remains largely unchanged compared to the previous quarter. ISIS continued to use money services businesses, including hawalas, to move funds in and out of Iraq and Syria, often relying on logistical hubs in Turkey and in other financial centers. In addition, ISIS supporters relied on cryptocurrencies and online fundraising platforms. They also rely on traditional methods of transferring funds into Iraq and Syria. ISIS members in Iraq transferred funds to ISIS members in northeastern Syria, including in Internally Displaced Persons camps, such as al-Hawl.⁴ The group often gathered and sent funds to intermediaries in Turkey who smuggle the cash into Syria or send the funds to hawalas operating in the camp.

² Hawala is an alternative or parallel remittance system. It exists and operates outside of, or parallel to, traditional banking or financial channels. The components of hawala that distinguish it from other remittance systems are trust and the extensive use of connections such as family relationships or regional affiliations.

³ ISIS-core refers to the main portion of ISIS in Iraq and Syria, along with the key leaders of the global organization. The term is mainly used to differentiate the main ISIS leadership from the regional ISIS affiliates, such as ISIS-K in the Khorasan region and ISIS-P in the Philippines.

⁴ Al-Hawl is an Internally Displaced Persons camp in northern Syria housing upwards of 70,000 refugees and holds one of the largest concentration of current and former ISIS members who continue to receive donations from ISIS supporters internationally. The Tawasul hawala in al-Hawl served ISIS members and transferred payments for ISIS from outside Syria.